United States Court of Appeals

for the Second Circuit

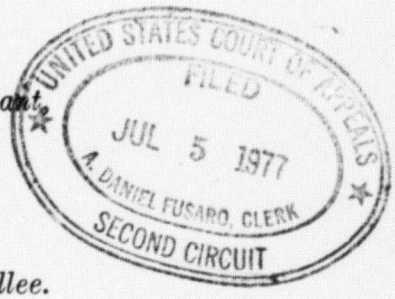
EXHIBITS

76-7607

B

United States Court of Appeals
FOR THE SECOND CIRCUIT

Docket Nos. 76-7607, 76-7619



UNIVERSITY HILL FOUNDATION,
Plaintiff-Appellee and Cross-Appellant,

—against—

GOLDMAN, SACHS & CO.,
Defendant-Appellant and Cross-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK
(71 CIV. 1796 (MEL))

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CERTAIN DOCUMENTARY EVIDENCE

A. PLAINTIFF'S EXHIBITS

Ex. PX-10: Blue sheet of February 5, 1970 on Penn Central by Vogel

1716 a

PENN CENTRAL TRANSPORTATION COMPANY PHILADELPHIA, PA.

February 5, 1970

Alan Rogers of NCO called me today to express concern over the sharply reduced earnings announced in the newspapers today. He asked if we were continuing to sell the Company's notes and whether I felt that Penn Central had sufficient resources which could be converted to cash to pay down debt, if necessary. I said that Goldman, Sachs was continuing to sell the commercial paper notes of Penn Central Transportation Company. In answer to question number 2, I suggested that the Company has a number of valuable properties and securities, and that I was certain that something could be worked out should it ever become necessary.

Alan said that as a result of my comments, he would continue to carry Penn Central Transportation Company as a prime name.

JACK A. VOGEL

cc: GLL, JCH, JLW, RGW, GVC, LED, PAF

Ex. PX-11: Blue sheet of February 5, 1970 on Penn Central by Wilson

PENN CENTRAL TRANSPORTATION COMPANY PHILADELPHIA, PENNSYLVANIA

February 5, 1970 CONFIDENTIAL

This morning's press announced that Penn Central Transportation Company had an operating loss of $56MM for the year 1969 and that the railroad was writing off its investment in equipment facilities and terminals being used for long-haul passenger service west of Harrisburg, Pennsylvania and Albany, New York. Penn Central, consolidated, showed a profit of approximately [illegible]MM for 1969. Having talked with GLL last night and JCH this morning, I called John O'Herron, Vice President of Penn Central Transportation. He said that the write-off of $125MM in passenger equipment and facilities was really an accounting transaction and a positive move in that it revealed their strategy to get out of the passenger service business. I asked what their cash picture looked like for the first six months of this year. He said it is very tight. He said they will probably need about $200MM to meet their requirements this year. He then went on to describe how they plan to obtain this money. He is working on a $50-75MM Eurodollar loan at the holding company level, proceeds to be lent downstream. Next they plan to do $100MM 30-year bond offering in Penn Central with half of each bond having warrants to buy Penn Central's holding company stock and the other half of each bond with warrants to buy common stock in the Great Southwest Corporation. This $100MM financing will probably take 4 to 5 months before it can be offered. In the meantime they are going to talk with two or three New York banks this afternoon to arrange a $50MM standby loan for 4 or 5 months until the $100MM financing can be completed. Next John said that through another subsidiary they plan to do $100MM financing later on this year to pay down short-term loans.

I told John it was unfortunate that we did not have some indication of the magnitude of the total losses for 1969, as we are going to need a story to tell existing holders of Penn Central's paper and new purchasers of paper. I told him it was our judgment that this news will have an adverse effect on their sale of c/p and we may not be able to keep out $200MM of their notes. I said the most important thing they could do is to get another $100MM in standby lines to back up their c/p and that some of these lines should be swing lines or demand lines. He said he did not think that, with the banks as tight as they are, they could get $100MM in standby lines. I explained that a number of companies were obtaining standby lines from banks with the understanding that if they had to be used, the company would pay the Eurodollar rates. He said he would take this into consideration. I told him Goldman Sachs was going to continue to offer their paper, not only the $15,510,000 in inventory, but also the maturities as they come due. When I said our procedures in the future would probably be set up so we handle their paper only on a "tap" issue basis where Goldman Sachs did not inventory their notes, he said this was something he would have to refer to Dave Bevan, Chairman of the Finance Committee and "he and Gus Levy can talk about that."

He confirmed that the $300MM revolving credit agreement is only being used to the extent of $250MM and they have $50MM in backup lines besides the revolving credit agreement. In the past he had told us he would be willing to take us out of our position in Penn Central and put it in the revolving credit agreement if we asked. I asked if we were to request he do that on the $15,510,000 Penn Central notes we now own, would he? He said he didn't think he wanted to do that today, as the New York banks he is going to see this afternoon to set up the additional $50MM 5-month lines are the same ones he would have to contact today and he didn't feel this was very good strategy. I concurred with his reasoning. He then said he had talked with some of his banks who are in the $50MM backup lines for paper and was prepared to buy back $10MM of their notes from us Monday, February 9, to which I agreed. They have $2.9MM maturing today which

PENN CENTRAL TRANSPORTATION COMPANY (Continued) February 5, 1970

we sold this morning along with an additional $1.1MM which we took out of inventory, reducing our position to $14,110,000. I made no commitment on the $4MM maturing tomorrow, as John will be in my office tomorrow morning and we can talk about the maturities, swing lines, new lines and their financing requirements at that time.

To summarize our position, Penn Central is on notice that we feel the earnings report will have an adverse effect on the sale of their paper and they may not be able to keep out $200MM. We have asked them to set up $100MM in new lines so that they will have 100% line coverage. They know we are going to request swing lines so we can operate on a "cap" issue basis. Penn Central Transportation has total assets of $6 1/2 billion and a net worth of about $2.9 billion. The wholly owned subsidiary, Pennco, has marketable securities (mostly stocks) with a market value on December 16, 1969 in excess of $900MM.

ROBERT G. WILSON

cc: GLL JCH JLW JCW GVC

Ex. PX-12: Blue sheet of February 6, 1970 on Penn Central by Wilson

PENN CENTRAL TRANSPORTATION COMPANY — PHILADELPHIA, PA.
PENN CENTRAL COMPANY — PHILADELPHIA, PA.

February 6, 1970

GLL and I had lunch today with Dave Bevan, Executive Vice President and Chairman of the Finance Committee; John O'Herron, Financial Vice President; and Bob Loder, Treasurer. Dave Bevan did a through job of explaining 1969's $56MM operating loss in the railroad and the $125MM special write-off of certain passenger facilities as well as their plans for 1970. Dave said that the 1970 official budget, which takes into account an increase of $100MM in labor costs and an anticipated $90MM of rate increases, shows an estimated loss of $56MM for 1970. However, the management "target" for the railroad shows a loss of zero to $23MM for the railroad. Assuming there is a $56MM loss in the railroad for 1970, the Penn Central holding company will show a profit of $20MM-$25MM, up from approximately $4MM in 1969. The railroad trimmed their payroll by 4,500 people in 1969. They plan to cut another 6,000 people in 1970. A reduction in their employees by 6,000 people will mean a $60MM reduction of costs in a two-year period, $30MM of which should show up in their 1970 figures. Dave explained they all anticipated the railroad would break even in the 4th quarter. In the last week of the quarter their accountants recommended a special $6MM charge for self-insured equipment and an approximate $10MM extra charge for snow removal. Dave said that the Pennsylvania Railroad system carries 35% of all the passenger business in the United States. Dave feels the ICC and the larger states will start doing something about the mass transportation problem by granting some type of relief to the railroads providing passenger service. He pointed out that Gov. Rockefeller was going to make funds available under a temporary program to improve commuter service this year.

The railroad needs an additional $170MM for 1970. Adding in the $56MM anticipated loss, their requirements this year are $226MM. The $170MM requirement is made up of $100MM of capital improvements and $70MM for equipment. The $70MM for equipment has either been arranged for or will be under equipment trust certificates. This leaves $150MM to be financed. They plan to do a $100MM long-term financing in the Penn Central Company. This bond financing will also carry warrants to buy certain subsidiaries' stocks. The timing on doing this $100MM of Penn Central Company debt was not clear other than the fact that they were going to get started on it in the near future. In the interim they hope to set up $50MM lines which will be used to carry them over until they do the $100MM bond deal. They met with First National City Bank, Chemical, Irving and Mellon yesterday. Dave thinks the meeting went well and they will get the $50MM in lines. Later on in the year they also plan to do a second financing for $50MM-$100MM in the P. & L. E. Corporation. The proceeds will be used to buy certain assets of the railroad and this is how they will get the proceeds to the railroad without violating any covenants in the railroad's revolving credit agreement. The railroad then plans to use the proceeds to reduce the revolving credit agreement and commercial paper.

We then got into a discussion of c/p and we told them that if they didn't get the $100MM more in lines to bring them up to 100% line coverage, we thought their present level of $200MM would run down by $50MM-$100MM. We also stressed the importance of their converting the $50MM of c/p backup lines to demand lines. John O'Herron reluctantly said they already have $10MM of the $50MM on a demand basis but until "pushing comes to shoving" he really does not want to convert the other $40MM to demand lines. We said that in the future we did not feel we could inventory as much of the Penn Central as we had in the past and that Goldman Sachs felt that $5MM at any one time would be our limit. Both Dave Bevan and John O'Herron responded to our ideas by saying they did not

feel they could get $100MM in bank lines at this time. I encouraged them to look into Eurodollar backup lines and they agreed that they would study the matter. They understand that their backup lines will be made available to cover runoffs for maturities in excess of what they don't sell plus our $5MM position. I told him about a large New York firm that has bought as much as 15% of their outstandings and which only yesterday temporarily removed their name from the approved list. We are going to try and set up an appointment for John O'Herron to visit the firm. I also explained Allen Rogers' conversation with Jack Vogel and that Allen's feeling was that as long as Goldman, Sachs was going to continue to handle Penn Central's c/p he would keep the "Prime" rating.

Dave repeatedly stated that for the first time since the Pennsylvania Railroad and the New York Central merged, he has confidence in the budgets they are working with and that they will probably achieve the results indicated. He feels the new president is a tough, non-railroad, cost conscious, cost control business man. Dave emphasized that the railroad was the only major subsidiary not contributing a profit.

February 12, 1970

I talked with John O'Herron several times this week. On Monday they bought back from our position approximately $10MM Penn Central notes and put it in their backup lines. I told John that the large investor who had temporarily taken their name off their approved list did not wish to meet with him to review the 1969 figures as they felt it would be awkward. John O'Herron guessed that the account we were referring to was Brown Brothers and he has agreed not to make any out-of-the-ordinary reviews with them so as not to jeopardize our relationship with Brown Brothers. John told me he has heard from a number of the banks and that they have already obtained $35MM out of the $50MM increases in lines they were asking for. John asked me to get in touch with John Schaeffer regarding what I know about setting up Eurodollar lines. I talked with John this morning. I told him I felt Penn Central could arrange for $100MM of Eurodollar lines which would be a commitment for one or two years with no compensating balances but at a 1/4 to 1/2 a point standby fee. I told him it was my understanding these Eurodollar lines could be activated in 24 to 48 hours at a point to a point and a half higher than the Interbank rate. I said he should contact either First National City's or Chase's Foreign Department to assist in setting these up or deal directly with German or English banks. It is my understanding there is more availability in dealing with the foreign banks directly since the branches of U. S. banks are taking care primarily of the requirements of the U. S. banks. I am checking further with Bob Damerjian, Vice President of the J. Henry Schroder Banking Corporation, who told me he would be glad to work on setting up these lines if I revealed the name of the company and put him in touch with them.

cc: GLL JCH JCW JLW JPG GVC PAF

ROBERT G. WILSON

Ex. PX-13: Blue sheet of February 12, 1970 on Penn Central by Wilson

February 12, 1970

I talked with John O'Herron several times this week. On Monday they bought back from our position approximately $10MM Penn Central notes and put it in their backup lines. I told John that the large investor who had temporarily taken their name off their approved list did not wish to meet with him to review the 1969 figures as they felt it would be awkward. John O'Herron guessed that the account we were referring to was Brown Brothers and he has agreed not to make any out-of-the-ordinary reviews with them so as not to jeopardize our relationship with Brown Brothers. John told me he has heard from a number of the banks and that they have already obtained $35MM out of the $50MM increases in lines they were asking for. John asked me to get in touch with John Schaeffer regarding what I know about setting up Eurodollar lines. I talked with John this morning. I told him I felt Penn Central could arrange for $100MM of Eurodollar lines which would be a commitment for one or two years with no compensating balances but at a 1/4 to 1/2 a point standby fee. I told him it was my understanding these Eurodollar lines could be activated in 24 to 48 hours at a point to a point and a half higher than the Interbank rate. I said he should contact either First National City's or Chase's Foreign Department to assist in setting these up or deal directly with German or English banks. It is my understanding there is more availability in dealing with the foreign banks directly since the branches of U. S. banks are taking care primarily of the requirements of the U. S. banks. I am checking further with Bob Damerjian, Vice President of the J. Henry Schroder Banking Corporation, who told me he would be glad to work on setting up these lines if I revealed the name of the company and put him in touch with them.

cc: GLL JCH JCW JLW JPG GVC PAF

ROBERT G. WILSON

Ex. PX-14: Blue sheet of March 23, 1970 on Penn Central by Wilson

PENN CENTRAL COMPANY — PHILADELPHIA, PENNSYLVANIA
PENN CENTRAL TRANSPORTATION COMPANY — PHILADELPHIA, PENNSYLVANIA

March 23, 1970

I talked at length with John O'Herron, Vice President, today. With some reluctance he told me the first quarter's figures will look terrible. The railroad will show an operating loss which they may or may not offset with profits from the sale of certain assets. He then told me of the $50MM backup lines for c/p $17MM have been converted to demand lines. Regarding their obtaining 100MM of Eurodollar backup lines for c/p, he said he has on his desk Ray Lepley's memorandum. John said he didn't think it was complete enough and was not prepared to take any action at this time. I emphasized how important it is for them to get more lines as some investors were being more selective in their buying of notes and wanted full line coverage. Regarding long-term financings, Penn Central Company will complete a 20MM Eurodollar financing this week and within the next couple of weeks will probably file the $100MM Pennsylvania Company bond offering which will have warrants attached to buy stock in Great Southwestern and the Penn Central Company. The proceeds are to be used in the railroad operations. Regarding the amount of Penn Central Transportation's c/p GS&Co. was prepared to inventory at any one time, his recollection of the February 6th luncheon was that no decision had been reached and that both the $5MM and $10MM figures were still under consideration. I told him that was not my understanding and that, in fact, GS&Co. felt that a $5MM ceiling was appropriate until such time as they obtained 100% line coverage, completed some of these long-term financings, and started to reduce the operating losses. He then asked if I would talk with GLL about this, which I did. I reported back to John that after discussing it with GLL, we were staying with our $5MM ceiling, but would go higher should the need arise for short periods of time. I explained to John that it made no sense to me to fill our inventory up with Penn Central Transportation notes before they are using their swing lines, in that investors want to select the maturities and not work from the predetermined ones in our inventory. I told him we were looking into a demand type of note or a variable maturity type of note for paper we inventory. He liked the idea and said he was prepared to do it. I told him we were working with counsel on this and had to work out the mechanics.

cc: GLL JLW GVC PAF

ROBERT G. WILSON

Ex. PX-20: Blue sheet of September 19, 1969 on Penn Central by Vogel

1723 a

9/19/69

John O'Herron, Vice President-Finance, called today by appointment and visited with RGWilson, LEDrypolcher and the writer. The purpose of his visit was to outline Penn Central's short-term borrowing needs in the near future and to discuss increasing commercial paper to $200MM from the current $150MM level. John told us that the company has applied to the I.C.C. to extend the $50MM portion of commercial paper presently outstanding which had been previously authorized up to September 30 and to increase the permitted amount to $200MM. He is expecting approval shortly. The company is currently borrowing $250MM out of a total of a $300MM revolving credit and has arrange credit lines of $50MM outside of the revolver. It is his intention to use the $50MM outside lines and $50MM of the revolver as backup for the $200MM in commercial paper. RGWilson discussed the nuances of the current commercial paper market, particularly the stronger emphasis on bank line coverage in the minds of investors. He asked if it were possible for Penn Central to get an additional $50MM in lines and John said it was but he would prefer not to do so. The outside lines presently in force could be used on a demand basis which of course will add to the company's flexibility.

John said that if we were to consider the relationship of $200MM in commercial paper to a total asset structure of some $4 1/2 billion it really is a small amount. He feels that the company has receivables of $240MM which could be used to back commercial paper and has investments in various securities which could be liquidated in an emergency. Furthermore, a $40MM financing being contemplated by the Pennsylvania Company could be increased according to O'Herron. John feels that all of these factors should be considered in lieu of increasing bank lines. RGWilson said that we would for the time being not insist on such increase and would report back to him on any market resistance the Penn Central notes receive because of the 50% coverage factor.

John O'Herron came to Penn Central via Buckeye Pipeline after a time with General Electric Company. He was responsible for some $400MM in short-term funds at General Electric and appears to have an excellent grasp of the money market. He has been with the railroad some six weeks and has evidently spent a great deal of time familiarizing himself with the various financial woes and potential cures in the picture. He mentioned that if the company could increase its freight car usage rate from 8% to 13% it would mean an increase of $1 1/2 billion in revenues with a resulting very favorable impact on earnings. He also pointed out that the company has 7,000 miles of railroad track which could easily be eliminated without any effect on the revenues of the road. The sale of the track as scrap alone would produce sizable profits. John makes a good impression and is open minded and receptive to suggestions on the day by day mechanics of commercial paper. He agreed to give L.E.D. wide latitude in the handling of the account including the setting of maturities and rate flexibility. He will instruct his operating people to accept our recommendations. John also pointed out that the company will be in a very tight cash position in the first quarter of 1970 and asked if we could put out as much paper as possible in April or longer.

cc: GIL, [illegible] LED CHC PMT PAF

JACK A. VOGEL

Ex. PX 21: Blue sheet of February 27, 1969 on Penn Central by Fisher

PENN CENTRAL CO. PHILADELPHIA, PA.

February 27, 1969

After consultation with JHR and MLE, I advised Bill Gerstnecker, VP Corporate, that their plan for the increase by $50MM in c/p outstandings (to $150MM) did not require the Penn Central to increase their lines of credit due to the temporary nature of the program and their access to credit. If they determined subsequently to hold at or near the upper limit, I told Bill we felt they should increase lines by $25 - 50MM. Ed Taylor, general counsel to the P/C is now in Washington attempting to ammend their ICC application accordingly. They will send us a copy of the latter, approved, plus a new borrowing resolution and the new revolving credit agreement.

Pieter A. Fisher

CC: GLLevy, JCWhitehead, JHRhoades, RGWilson, PAHager, LEDrypolcher, RMLynch, JAVogel, MLEvans

Ex. PX-22: Blue sheet of December 9, 1969 on Penn Central by Van Cleave

1725 a

December 9, 1969

Bob Loder, Assistant Vice President-Investments; Ted Verlander, Director-Corporate Financing; and Ray Lepley (recently hired from Atlantic Richfield) stopped in by appointment with L. E. Drypolcher, J. A. Vogel and the writer. The original appointment was scheduled with John O'Herron, Financial Vice President (who was called out of town), and R. G. Wilson, (who attended H. J. Sachs' funeral service). The purpose of the meeting was to discuss the overall commercial paper and bank borrowing program for the company. The company has a revolving credit of $300MM of which they owe $250MM, $50MM in straight lines of credit of which they are owing zero. Total commercial paper outstanding is $200MM which gives them 50% line coverage. There has been some question in the past as to how fast they could use the straight lines of credit which we learned today would take at least one day and we know that it takes 3 days to use the revolving credit. We suggested that they set up a minimum of $15MM in swing lines which would help in the marketing of their commercial paper. I told them that we currently hold $16MM in inventory which was the largest position in Penn Central notes that we have had. We explained that their now being at the $200MM level, a tight market and adverse publicity were all contributing factors to the large position. There is no question in our minds that all three gentlemen did not want us to carry that much paper and will go back to O'Herron with the recommendation that they set up swing lines. Bob Loder said that they could possibly convert $15MM of the $50MM which are split up in $2MM and $3MM lines. I suggested that they leave the $50MM as is and go out for an additional $15MM in blocks of $5MM or more which would also give them more turnaround room. JAVogel brought up the subject of line coverage pointing out that there are now investors that will not buy c/p unless there is 100% coverage, and that although we do not feel 100% coverage is necessary, questions are being asked in this regard. Effective immediately, the mechanics of handling commercial paper will go back to the financing department with Ray Lepley being the primary contact. It was agreed that in order to spread out maturities that we would go up one-eighth percent for 90-270 day paper. LEDrypolcher uncovered some possible lease finance business and will post PAF and DLF. It was left that Bob Loder will check with O'Herron and get back to me regarding the swing lines.

cc: RGW LED PAF JAV RML

GEORGE M. VAN CLEAVE

Ex. PX-28: Blue sheet of November 10, 1969 on Penn Central by Wilson

PENN CENTRAL TRANSPORTATION COMPANY PHILADELPHIA, PA.

November 10, 1969

In talking with John O'Herron, Vice President, this morning about how fast we could put out the additional $50MM Penn Central paper, I told him that the recent article in the New York Times financial page quoting their counsel, Mr. Cox, to the effect that Penn Central was having a very rough time with the merger, could be very harmful to the sale of their commercial paper. I advised him that they may want to be thinking about getting another $50MM of standby lines.

ROBERT G. WILSON

cc: GLL PAF

Ex. PX-33: Blue sheet of October 22, 1969 on Penn Central by Wilson

PENN CENTRAL COMPANY PHILADELPHIA, PENNSYLVANIA

October 22, 1969

John O'Herron, Vice President, called me to say they anticipate receiving the approval from the ICC for the additional $50MM of c/p. He went on to say the Penn Central will show a small loss in the 3rd quarter, but anticipate the 4th quarter will be "in the black" with a good improvement.

ROBERT. G. WILSON

cc: GLL JLW

Ex. PX-34: Bank checkings of August 7, 1968 on Penn Central by Goodman

PENN CENTRAL COMPANY PHILADELPHIA, PA.

August 7, 1968
FIRST NATIONAL CITY BANK - Mr. Kip - We have had this account since 1954. We have a $30MM participation in the company's $50MM unsecured revolving credit. High borrowings under the revolving credit reached $26,617,341 with a similar amount presently outstanding. The company has never been free of our debt. Balances are satisfactory. We have a high regard for the company and its management.

MANUFACTURERS HANOVER TRUST CO. - Mr. Judge - We have had this account since Feb. of this year. We have no confirmed line of credit but we did extend to them $13MM on an offering basis due on Sept. 24, 1968. This $13MM is currently owing. In addition, we have a $5MM participation in a $50MM revolving credit due to mature on Dec. 30, 1968. Under this revolving credit, $5MM is presently outstanding. The company has never been free of our debt. Balances are satisfactory. Our high regard for the company and its management remains unchanged.

BANKERS TRUST CO. - Mr. Shoules - We have had this account since after the merger, in Feb. of this year. We have a $5MM participation in the company's $50MM revolving credit. Peak borrowings under the revolving credit reached $5MM with a similar amount currently owing. Balances are compensating. We have a favorable opinion of the company and its management.

CHASE MANHATTAN BANK, N.A. - Miss Foley - The account has been a customer of ours since 1926. We have a $20MM participation in the company's $50MM 5-year term loan due to mature in 1970. Peak borrowings under the term loan reached $15MM from Jan., 1967 to June, 1968. Presently the company owes $10MM. The subject has never been free of our debt. Balances are commensurate. Our high regard for the company and its management remains unchanged.

MORGAN GUARANTY TRUST CO. - Miss Rohrbaugh - We have had this account since 1898. We have taken over $10MM at First National City's $30MM participation in the company's $50MM revolving credit. Peak borrowings under the revolving credit commitment reached $10MM with a like amount currently outstanding. In addition, we have a $2MM term loan available for the company's use. The subject has never been free of our debt. Our high regard for the company and its management remains unchanged.

BROWN BROTHERS HARRIMAN & CO. - Mr. Guilshan - We hold available for the company's use an open line which stands until 1973. This line provides the company with a $50MM revolving credit for the exclusive use of banking their C/P outstanding. Our share of this $50MM revolving credit is $2MM. As of this time the company has not borrowed from us. We have a high regard for the company and its management.

August 7, 1968
CONTINENTAL ILL. N.B. & TR. CO., Chicago, Ill. - Milton C. Neuman, Asst. Cashier - Penn Central Co. and its affiliated subsidiaries have maintained a valued account relationship with us since 1927, with aggregate balances currently averaging in moderate seven figures. We hold available for the company's use a $5MM unsecured line of credit which has been actively and properly used. In addition, we participate in various conditional sale obligations aggregating approximately $1.2MM. The aggregate high credit under these arrangements during 1968 has been $6.2MM. The company has been out of our debt since the early part of June, 1968. The company's audited figures for the year ended December 31, 1967 reveal, in our opinion, a sound financial condition with operations profitable. We hold the company and its management in high regard.

- Continued -

August 9, 1968
FIRST NATIONAL BANK, Chicago, Ill. - R. Carne, Asst. Vice Pres. - Our relationship with the above business dates back over forty-five years. On July 5, this year, we approved a $5MM (10%) unsecured one-year line of credit; this represents an increase of $1MM over our previous accommodation. Although the company has not used their line, they are indebted to us in substantial amounts under conditional sales agreements, equipment leases and a term loan. Our experience with the company has been excellent, our impressions of its management are favorable and we are pleased to continue our cooperation.

August 7, 1968
FIRST PENNSYLVANIA BANKING & TRUST CO., Philadelphia, Pa. - Nona E. Saling, Credit Dept. - Penn Central Company has been a valued customer of ours for many years. They maintain deposit balances which average in the medium seven-figure proportions. We make available to them on an unsecured basis, a low eight-figure amount, which, incidentally, represents our total legal lending limit. Their borrowings presently aggregate a moderate seven-figure amount. Our relationship is a satisfactory one, and principals continue to be well and favorably regarded by us.

PHILADELPHIA NATIONAL BANK, Philadelphia, Pa. - Janet G. Wolgemuth, Commercial Officer - We are pleased to extend for its use a high seven-figure line of credit. At present, there is a moderate seven-figure balance on a participation in conditional sales agreements under the line. In addition, there is a low seven-figure amount outstanding secured by equipment construction financing. Balances on deposit with us have been averaging in excellent proportions and our loan and account experience has been satisfactory. We have the highest regard for those associated with the management and we have no hesitancy in recommending the company as being entirely responsible for any commitments it may undertake.

August 5, 1968
MELLON NATIONAL BANK & TRUST CO., Pittsburgh, Pa. - M. J. Holtzman, Credit Officer - In reply to your letter of August 1, the Penn Central favors us with a portion of its banking business and it is a relationship we value highly. Excellent deposit balances are maintained and we extend the company loan accommodation with very satisfactory results. Currently we have several credits outstanding totaling $26,635,000. We have a high regard for the organization and its management.

Ronald Goodman

Ex. PX-39: Review of financial statement of Penn Central by Evans dated June 2, 1969

PENN CENTRAL COMPANY
PHILADELPHIA, PENN.

REVIEW OF FINANCIAL STATEMENTS
For the Year Ended December 31, 1968

OPERATIONS:

On February 1, 1968 the New York Central Railroad Company was merged into The Pennsylvania Railroad Company and the corporate name was changed to Penn Central Company on May 8, 1968. The merger has been treated as a pooling of interest and accordingly the 1967 figures have been restated. In addition the Interstate Commerce Commission, as a condition of the merger, required Penn Central to purchase substantially all of the properties and investments of The New York, New Haven and Hartford Railroad Company. This was consumated as of December 31, 1968 for $33,600M in long-term mortgage bonds, 950,116 shares of common stock, cash and other consideration. Operations of the New Haven properties will be included in the results of Penn Central Company commencing January 1, 1969. During 1968 the company sold 5 subsidiaries and divisions, the major one being Strick Corporation, a manufacturer of trailers and containers (December).

Total income increase by 8.6% to $2,125,042M as transportation revenues continued to supply the majority of income (82% vs. 87% last year). Gross profit margins contracted from 61.7% to 59.6% and S.G.& A. expenses were lower at 47.0% as compared with 49.5% at 12/31/67. Operating profit was increased by $30,617M to $268,305M but was partially offset by increases in interest and debt expense (up $11,403M to $102,358M) and federal income taxes (up $2,044M to $2,168M). As a result of the above net profit, before extraordinary items, increased by 27.1% or $19,270M to $90,273M. For the year ended 12/31/67 the company charged off $275,422M of extraordinary costs and losse incurred upon the merger mentioned above. As a result, the company showed a $204,419M net loss for the year ended 12/31/67.

The results for 1968 were made possible by the strong showing of the company's real estate subsidiaries (Great Southwest Corp., Macco Corp. and Arvida Corp.) and Buckeye Pipe Line Company which contributed $44,200M to total income versus $21,900M last year. These results offset the $2,773M net loss that the parent railroad company incurred. Although total income rose by $55,030M to $1,655,131M total costs and expenses advanced by $69,270M to $1,657,904M (with the exception of depreciation all other expenses increased). Management blames the loss, in part to heavy non-recurring expenses incurred in the initial stages of the merger.

BALANCE SHEET:

The company had working capital problems during 1968. With the company having to purchase the New Haven, the funds provided by the retention of earnings ($34,873M), depreciation ($136,182M) and additional long term financing of $132,000M were insufficient to cover total uses of funds.

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PENN CENTRAL COMPANY

As a result working capital diminished by $99,500M to a negative $161,382M. In order to provide funds for working capital purposes the company reduced its cash position by $34,303M, borrowed short term from banks ($27,326M vs. $47,990M), issued c/p ($50,000M vs. -0-), increased accounts payable by $7,107M, lowered inventories by $15,380M and various other sundry methods. It must be noted that the company carries $50,000M of c/p as long term debt due after one year. Management has stated that since Penn Central has $50,000M in bank lines to cover the c/p issued they can carry it long term. (The writer disagrees with this theory since in actuallity the $50,000M will fall due within one year).

Reflecting the above the current ratio declined to .75 as compared with .89 last year and the debt ratio expanded by .03 to 1.14.

SUMMARY:

1968 could be described as the year of change for the company. On February 1, 1968 the merger between two formerly competitive railroads, The New York Central and The Pennsylvania, was consumated. In addition, the surviving company, as a condition of the merger, had to purchase the New Haven Railroad which had operated in bankruptcy for a considerable number of years.

Net profit advanced by 27.1% (before extraordinary items) and total income increased by 8.6%. Due to the companies investments during the year the balance sheet condition had become unsettled. The strength of the balance sheet has deteriorated somewhat as evidenced by the trend of the current ratio which has declined from 1.06 in 1966 to .89 in 1967 and now stands at .75. The balance sheet continues to reflect a moderate to heavy debt position.

Since year end the following has taken place:

1) The company reported earnings of $4,601M for the first quarter versus $13,388M last year. The results of the deficit-ridden New Haven Railroad are not included in 1968 results. (If included the profit would have dropped to $6,888M.) The parent railroad company reported a net loss of $12,800M as compared with a net profit of $1,000M last year. It was noted that all of the loss was attributed to the passenger operations. The real estate subsidiaries and Buckeye Pipe Line Company reported a 92% increase in profits to $7,700M. Revenues for the period increased from $494,461M to $536,530M. (According to management the company should have a "favorable showing" in its second quarter.)

2) Shareholders approved the creation of a parent holding company to facilitate "an aggressive and sound program of acquisitions". Under the plan the current stockholders will receive one share of common stock in the new parent company (same name) for each share presently held. The present

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PENN CENTRAL COMPANY

parent company will become a subsidiary known as Penn Central Transportation Co.

3) On May 19, 1969 the company obtained Interestate Commerce Commission authorization to expand their revolving credit arrangement to $300,000M from the present $100,000M. Proceeds will be used to repay $100,000M of outstanding notes and $50,000M of the proceeds will be used to repay a similar amount of c/p. The remainder will be used to reimburse the railroad's treasury for capital expenditures, payment of maturing debt and for working capital. In addition the Pennsylvania Company, the parent company's investment holding company, is negotiating the sale of $35,000M of 20-year collateral trust bonds and also giving consideration to the issuance of an additional $40,000M of junior securities of the Pennsylvania Company. The funds from the bond sale will be used to purchase certain securities from the railroad. It has not been disclosed how the company will use the sale of the $40,000M of junior securities. The overall effect of the above should be a strengthening of the company's current position.

Penn Central was in the c/p market for 5 months in 1968 with outstandings for those months averaging $89,520M. Since fiscal date average outstandings have been $124,275M with a high point of $150,000M outstanding during April.

QUESTION:

1. Will our present relationship with Penn Central be altered in any way by the formation of the new holding company? Does the company plan to issue paper through the new holding company?

2. Does the company plan to keep out over $100,000M in c/p now that they have increased their revolving credit?

3. What are the company's projected earnings for 1969 and does management feel that the substantial losses due to passenger service will continue?

June 2, 1969

--Michael L. Evans--

Ex. PX-64: ICC Report on Penn Central served November 6, 1969

F-9555 Served November 6, 1969

INTERSTATE COMMERCE COMMISSION REPORTS

FINANCE DOCKET No. 25854

PENN CENTRAL TRANSPORTATION COMPANY NOTES

Decided October 29, 1969

Authority granted to Penn Central Transportation Company to issue its short-term unsecured promissory notes in the nature of commercial paper in aggregate principal amount not exceeding $50 million at any one time outstanding, subject to condition.

Edward A. Kaier and *Edwin K. Taylor* for applicant.

REPORT OF THE COMMISSION

DIVISION 3, COMMISSIONERS TUGGLE, DEASON, AND HARDIN

BY DIVISION 3:

The Penn Central Company (name changed to Penn Central Transportation Company on October 1, 1969), by application filed September 12, 1969, as supplemented October 2, 1969, seeks authority under section 20a of the Interstate Commerce Act to issue its short-term unsecured promissory notes in the nature of commercial paper during a period ending September 30, 1974, in aggregate total principal amount not exceeding $50 million at any one time outstanding. No objection to the application has been offered.

Applicant is a common carrier by railroad subject to part I of the Interstate Commerce Act. It was incorporated under the laws of the Commonwealth of Pennsylvania by special act dated April 13, 1846, and acts supplemental thereto, as The Pennsylvania Railroad Company and is the surviving company of a merger with The New York Central Railroad Company effective February 1, 1968. Applicant amended and restated its articles of incorporation on May 19, 1969. It operates or is authorized to do business in the States of Connecticut, Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, West Virginia, and in the District of Columbia.

Pursuant to resolutions of its board of directors adopted August 27, 1969, applicant proposes to borrow a presently undetermined total

aggregate principal amount within a period ending September 30, 1974, from one or more banks and other lenders, and to issue and deliver in evidence thereof through Morgan Guaranty Trust Company of New York, New York, N. Y., as its issuing agent, short-term unsecured promissory notes in the nature of commercial paper, not in excess of $50 million at any one time outstanding. The notes would be dated as of the date of issue, would mature not more than 1 year from date of issue and would be issued at any time and from time to time during a period ending September 30, 1974, in any principal amount which is not less than $50,000, but in aggregate total principal amount not in excess of $50 million at any one time outstanding.

The commercial paper notes would be of two types, discount notes without interest, and nondiscount notes with interest. The discount rate or the interest rate would not exceed the highest prime rate of interest of leading commercial banks in New York City at the time of borrowing plus 1 1/2 percent per annum. The notes would be unsecured and would be in the form set out in the application.

Although commercial paper notes are ordinarily drawn with a 270-day or less maturity, the commercial paper notes proposed to be issued by applicant will have a maturity as long as 1 year from date of issue. To this extent they will vary from the ordinary commercial paper notes.

Applicant has presently outstanding $150 million of commercial paper, consisting of $100 million authorized in Finance Docket No. 25179, on July 22, 1968, and $50 million authorized in Finance Docket No. 25570 on March 19, 1969, as modified on August 12, 1969. By second supplemental order dated September 25, 1969, in Finance Docket No. 25570, the order of March 19, 1969, was further modified so as to extend to December 31, 1970, the time within which applicant may issue the notes authorized therein. In addition, applicant has $250 million of revolving credit notes outstanding, which were authorized in Finance Docket No. 25622, on May 12, 1969. The details of these outstanding obligations are shown in appendix A.

The proceeds of the issue would be used (1) to reimburse applicant's treasury in part for past capital expenditures and matured obligations, and (2) to replenish its cash. Applicant furnished a listing of roadway and structure projects, each over $250,000 carried out in the period January 1, 1966, to August 31, 1969, which totaled $207,264,000. These, together with $90,936,000 of similar projects of less than $250,000 each indicate a total of $298,200,000 was expended for such projects during said period. Those projects together with capital expenditures for equipment during the same period amounting to $418,695,000, produce a grand total of $716,895,000 of expenditures for roadway and equipment

during the period. The details of the equipment expenditures are summarized in appendix B.

Capitalizable assets as of June 30, 1969, excluding applicant's investments in affiliated companies and other investments, consisting of investments in road and equipment, less depreciation and amortization as of that date, amounting to $2,697,964,372, exceeded capitalization of $2,042,189,682, consisting of long-term debt due within 1 year $75,165,330, long-term debt due after 1 year $1,638,516,414, capital stock $241,092,700, and premiums and assessments on capital stock $87,415,238, by $655,774,690. As of June 30, 1969, applicant's current liabilities of $500,391,914 exceeded its current assets of $452,023,797 by $48,368,117.

Applicant has been subjected to fairly heavy capital expenditures and maturities in recent years. As previously indicated, the improvement program totaled $716,895,000 for the period 1966, 1967, 1968, and the first 8 months of 1969. Debt maturities were $320,700,000 making a total of debt maturities and capital expenditures of $1,037,595,000 during the period. Details of these items are set out in appendix C together with the financing means used during the period. Of the total amount, $828,875,000 was financed through equipment trusts, conditional sales agreements, stock options, revolving credit agreements, commercial paper, Eurodollar loan, and other financing mediums, leaving a balance of $208,720,000 not financed during the period.

According to the investment banking firm which usually handles applicant's commercial paper, unless market conditions change, there is a market for an additional $50 million of applicant's notes.

Issuance of commercial paper notes of a maturity of not more than 1 year apparently affords applicant access to a source of money at relatively favorable interest rates. Its commercial paper rate, exclusive of the 1/8 of 1 percent commission to the commercial paper dealer, at the present time ranges from 8 1/4 percent to 8 5/8 percent per annum, whereas, the bank prime rate is 8 1/2 percent per annum at the present time. However, applicant states that lending banks require borrowers to maintain compensating balances on deposit amounting to 15 to 20 percent of the borrowing from the bank and such requirements add to the cost of bank borrowing.

Since December 31, 1965, applicant has completed long-term financings of equipment in the amount of $332,400,000. In addition, in July 1969, The Pennsylvania Company, applicant's subsidiary, sold $35 million of long-term securities and contemplates the sale of an additional $40 million in the last quarter of the current year. Applicant alleges that it is currently intensively studying various alternatives for a long-term financing program in 1970. Market conditions, legal restrictions, cash requirements and other variables will reportedly determine

applicant's decision relative to its 1970 financing program, but at present, applicant contemplates the inclusion of (a) a blanket mortgage or collateral trust, (b) additional issues of a subsidiary, and/or (c) the sale of assets.

Applicant feels that long-term financing at the present time is not feasible due to the tight money situation. Although we are sympathetic to applicant's problem, short-term financing has traditionally been relied upon to finance short-term needs and is not normally regarded as a proper source for long-term financing of capital expenditures or for refinancing of maturing long-term debt. As of June 30, 1969, applicant had a deficit working capital situation which can be expected to worsen if reliance on short-term financing is increased. The exhaustion of short-term credit to refinance maturing long-term debt or to finance long-term capital expenditures could expose a carrier to a serious crisis in the event of an economic squeeze, at which time a carrier may require short-term financing for traditional use. We are, therefore, concerned about the use of short-term financing for long-term purposes and feel that where necessary it should be resorted to cautiously.

On the whole applicant is in a strong financial condition and in view of the present tight money market and applicant's stated intent to negotiate long-term financing as soon as it is feasible, we conclude that the application should be approved, subject to a condition restricting the issuance of such notes to a period not exceeding 2 years from the date the order herein is served."

Subject to the aforesaid condition, we find that the proposed issue and sale by Penn Central Transportation Company of its short-term unsecured commercial paper promissory notes in principal amount not exceeding $50 million at any one time outstanding, as aforesaid, (a) is for lawful objects within its corporate purposes and compatible with the public interest, which are necessary and appropriate for and consistent with the proper performance by it of service to the public as a common carrier, and which will not impair its ability to perform that service, and (b) is reasonably necessary and appropriate for such purposes.

An appropriate order will be entered.

APPENDIX A

Penn Central Company note authority as of October 1, 1969

	Amount issued	Amount remaining to be issued	Amount outstanding
F. D. No. 24634–July 17, 1967			
PRR revolving credit notes.....	$15,000,000	None	None. These notes were refunded and superseded by notes issued pursuant to F. D. No. 25397.
F. D. No. 25179–August 15, 1967			
Penn Central commercial paper.	100,000,000	None	$100,000,000
Penn Central promissory notes..	50,000,000	$50,000,000. This authority is reserved to refund commercial paper.	None
F. D. No. 25397–December 11, 1968			
Penn Central revolving credit notes.....	100,000,000	None	None. These notes were refunded and superseded by notes issued pursuant to F. D. No. 25622.
F. D. No. 25570–March 20, 1969			
Penn Central commercial paper.	50,000,000	None	$50,000,000
F. D. No. 25622–May 16, 1969			
Penn Central revolving credit notes.....	250,000,000	$50,000,000. This authority is reserved to refund commercial paper.	$250,000,000
Penn Central term notes.....	None	$300,000,000. This authority is reserved to refund up to $300,000,000 of revolving credit notes.	None

APPENDIX B

Penn Central Company capital expenditures—equipment for the period January 1, 1966 to August 31, 1969

Description	1966	1967	1968	1969
		(Amount in thousands)		
Locomotives.....	$27,586.	$34,044.	$2,836.	$5,889.
Freight train cars.....	138,865.	62,730.	93,900.	23,719.
Passenger train cars.....	11,778.	1,067.	4,086.	822.
Floating equipment.....	732.	490.	288.	.....
Work equipment	4,118.	828.	3,036.	299.
Miscellaneous equipment.....	1,163.	1,223.	216.	.....
Totals	184,242.	100,362.	104,362.	29,729.
Total for the period				418,695

APPENDIX C

Penn Central Company

	1966	1967	1968	(First 8 months) 1969
Capital expenditures:				
Road	$76,933,000.	$83,428,000.	$86,839,000.	$51,000,000.
Equipment	184,243,000.	100,362,000.	104,361,000.	30,000,000.
Total capital expenditures	261,176,000.	183,790,000.	191,200,000.	81,000,000.
Maturities	73,800,000.	76,800,000.	113,900,000.	56,200,000.
Total capital expenditures and maturities	334,976,000.	260,590,000.	305,100,000.	137,200,000.
Financing:				
Equipment trusts	44,010,000.	21,675,000.	.....	.....
Conditional sale agreements	102,651,000.	58,837,000.	74,270,000.	31,000,000.
Stock options	2,237,000.	2,974,000.	1,418,000.	671,000.
Revolving credit agreement	.....	.....	100,000,000.	150,000,000.
Eurodollar loan	.....	.....	50,000,000.	.....
Commercial paper	.....	.....	100,000,000.	50,000,000.
Other	2,312,000.	1,956,000.	31,900,000.	2,962,000.
Total financing	151,212,000.	85,442,000.	357,588,000.	234,633,000.
Excess of expenditures over financing (cumulative)	183,764,000.	358,912,000.	306,424,000.	208,720,000.

Ex. PX-67: Letter from O'Herron to Richard Block, Jr. of the ICC dated October 1, 1969

1739a ORIGINAL

FILED

OCT 2 1969

INTERSTATE COMMERCE COMMISSION

PENN CENTRAL TRANSPORTATION COMPANY
Six Penn Center
Philadelphia, Pa. 19104

October 1, 1969.

INTERSTATE COMMERCE COMMISSION
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MAIL BRANCH

Richard Block, Jr., Esq.
Assistant Deputy Director
Section of Opinions
Interstate Commerce Commission
Washington, D.C. 20423

FILE IN DOCKET

Dear Sir: Re: I.C.C. Finance Docket 25854

Revised Exhibit #5

This letter is in response to your letter of September 19, 1969 in connection with the application filed in the name of Penn Central Company to issue up to $50 million of commercial paper notes (finance docket 25854). On October 1, 1969 the corporate name of the applicant in finance docket 25854 was changed to Penn Central Transportation Company and another corporation named Penn Central Company acquired all the outstanding stock of Penn Central Transportation Company. The details of this transaction were furnished to the Commission in finance docket 25660. Although the attached schedules carry the name Penn Central Company, the data relates to what is now Penn Central Transportation Company.

ACKNOWLEDGED
OCT 3 1969

Penn Central Transportation Company's petition in finance docket 25854 included an exhibit (Exhibit 5) which listed the Company's capital expenditures, maturities and financing for the period 1966 through the first eight months of 1969. This exhibit has been revised to correct certain errors, and the revised Exhibit 5 is attached to this letter. In connection with the exhibit, we submit detailed information as follows:

Schedule No. 1 - Capital Expenditures, Equipment - January 1, 1966 - August 31, 1969.

Schedule No. 2 - Capital Expenditures, Roadway and Structures - January 1, 1966 - August 31, 1969.

Schedule No. 3 - Funded Debt Maturities - January 1, 1966 - August 31, 1969.

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SECRETARY OF
RECORDS & SERVICE
Oct 2 4 34 PM '69

FORWARDED TO [illegible] Oct 3 1969

Schedule No. 4 - Equipment Trust and Conditional Sale Maturities - January 1, 1966 - August 31, 1969.

Schedule No. 5 - Securities issued, remaining to be issued and outstanding under Commission authorizations - January 1, 1966 - August 31, 1969.

Schedule No. 6 - Conditional Sale Agreements - January 1, 1966 - August 31, 1969.

In addition, there is attached as Schedule No. 7, on an estimated basis, the maturities for the last four months of 1969 and the years 1970 and 1971.

The major premises underlying Penn Central Transportation Company's present and future financing plans can be summarized as follows:

(1) At the present time, Penn Central Transportation Company has outstanding $400 million of short term obligations issued pursuant to authorizations of the Commission, consisting of $250 million of revolving credit notes and $150 million of commercial paper notes. The maximum amount of revolving credit notes and commercial paper notes which it may have outstanding is limited by the terms of a credit agreement dated April 1, 1969 to $450 million. This agreement was submitted to the Commission in finance docket 25622. It is significant to note that on January 1, 1971, all outstanding revolving credit notes can be refunded pursuant to the terms of the foregoing credit agreement into a term loan (Term Notes) that will mature in five consecutive annual installments commencing January 1, 1972. It is submitted that an aggregate of $450 million* in short term maturities, of which $300 million can be refunded into a term loan, pursuant to

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* This amount includes $50 million of commercial paper notes proposed in the pending application in finance docket 25854.

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an existing agreement and an authorization heretofore granted by the Commission, is not excessive when related to Penn Central Transportation Company's assets of approximately $4.5 billion.

(2) Penn Central Transportation Company's commercial paper notes are sold to the investment banking firm of Goldman, Sachs & Co., which resells the notes primarily to corporations and other investors who have portfolios of short term investments. This firm has indicated that unless market conditions change there is a good market for an additional $50 million of the Company's notes, and has expressed the opinion that an aggregate of $200 million of such notes outstanding is not excessive for a company of the size of Penn Central Transportation Company.

(3) Bank lines of credit for $100 million have been exclusively committed to refund maturing commercial paper notes of Penn Central Transportation Company if at any time market conditions prevent the sale of commercial paper notes to meet maturities of such notes. In addition, Penn Central Transportation Company and its subsidiaries have assets which can be liquidated to cover maturing commercial paper notes.

(4) Although the railroad industry has not as yet issued commercial paper notes extensively for financing, this type of instrument has become an accepted and significant method for raising cash for many major United States corporations. The total amount of commercial paper notes outstanding currently is approximately $28 billion.

(5) Since December 31, 1965, Penn Central Transportation Company has completed long term financings of equipment in the amount of $332.4 million. In addition, Pennsylvania Company, a subsidiary of Penn Central Transportation Company, has sold $35 million in long term securities in July, 1969; and it is contemplated that an additional $40 million of long term securities will be issued in the last quarter of 1969.

(6) Penn Central Transportation Company is currently intensively studying various alternates for a long term financing program in 1970. The type and amount of securities

to be sold next year will depend on a number of variables, such as, market conditions, legal restrictions, cash requirements, etc. It is anticipated that the 1970 financing program will include:

(a) a blanket mortgage or collateral trust,

(b) additional security issues of a subsidiary of Penn Central Transportation Company, and/or

(c) the sale of assets.

We will be glad to amplify the data and information furnished to you with this letter. A verification is attached to this letter.

Sincerely yours,

PENN CENTRAL TRANSPORTATION COMPANY,

By Jonathan O'Herron
Vice President

Att.

cc: Hon. Kenneth H. Tuggle, Commissioner
Interstate Commerce Commission
Washington, D.C. 20423

COUNTY OF PHILADELPHIA)
) ss.
STATE OF PENNSYLVANIA)

JONATHAN O'HERRON, being duly sworn, states that he is a Vice President of Penn Central Transportation Company; that he is authorized on the part of said Company to sign and file with the Interstate Commerce Commission the foregoing letter and the exhibit and the schedules attached thereto and made a part thereof; that he has knowledge of the matters set forth therein and that all such statements made and matters set forth therein are true and correct to the best of his knowledge, information and belief.

Jonathan O'Herron

Jonathan O'Herron

Subscribed and sworn to before me, a notary public in and for the state and county above named, this 2nd day of October, 1969.

Charles E. Cassel, Jr.

Charles E. Cassel, Jr.
Notary Public, Philadelphia,
Philadelphia Co.
My Commission Expires July 10, 1971.

[Notarial Seal]

Ex. PX-68: Application of Penn Central to ICC
filed September 12, 1969

Before the

INTERSTATE COMMERCE COMMISSION

Washington, D.C.

APPLICATION OF PENN CENTRAL COMPANY
UNDER SECTION 20a OF THE INTERSTATE
COMMERCE ACT FOR AUTHORITY TO ISSUE
UP TO $50,000,000 OF COMMERCIAL PAPER
NOTES.

Finance Docket No. 25854

EDWARD A. KAIER
EDWIN K. TAYLOR

Counsel for Applicant

1138 Six Penn Center Plaza
Philadelphia, Pa. 19104

September 11, 1969.

091393

Before the

INTERSTATE COMMERCE COMMISSION

Washington, D. C.

APPLICATION OF PENN CENTRAL COMPANY UNDER SECTION 20a OF THE INTERSTATE COMMERCE ACT FOR AUTHORITY TO ISSUE UP TO $50,000,000 OF COMMERCIAL PAPER NOTES.

Finance Docket No.

IN THE MATTER OF APPLICATION OF:

A. Penn Central Company
1844 Transportation Center
Six Penn Center Plaza
Philadelphia, Pennsylvania 19104

B. Penn Central Company (hereinafter sometimes called "Applicant") is a common carrier by railroad.

C. Applicant seeks authority under section 20a of the Interstate Commerce Act to issue from time to time promissory notes in the nature of commercial paper in an aggregate principal amount not exceeding $50,000,000 at any one time outstanding.

D. Applicant operates, or is authorized to do business, in the States of Connecticut, Delaware, Illinois, Indiana,

Kentucky, Maryland, Michigan, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, West Virginia and in the District of Columbia.

E. None.

F. The name, title and business address of the person to whom correspondence with respect to this application should be addressed is:

Edwin K. Taylor
General Attorney
Penn Central Company
1138 Six Penn Center Plaza
Philadelphia, Pa. 19104

TO THE INTERSTATE COMMERCE COMMISSION,
WASHINGTON, D.C.

The following statements and information are submitted by Applicant in support of the authority sought:

ITEM 1. GENERAL INFORMATION RESPECTING APPLICANT.

(a) (1) Applicant was incorporated under the laws of the Commonwealth of Pennsylvania by special act dated April 13, 1846, and acts supplemental thereto as The Pennsylvania Railroad Company and is the surviving company of a merger with The New York Central Railroad Company effective February 1, 1968. Applicant amended and restated its articles of incorporation on May 19, 1969.

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(2) Not applicable.

(3) Not applicable.

(b)(1) The articles of incorporation of Applicant, as amended and restated, and also Applicant's by-laws, were filed with the Commission in finance docket no. 25762.

(2) Not applicable.

(3) Not applicable.

ITEM 2. FINANCIAL STATEMENTS.

(a) General balance sheet of Applicant as of June 30, 1969, the latest practicable date, is attached hereto as exhibit 1.

(b) Not applicable.

(c) Statement of income and retained income of Applicant for the first six months of 1969, the latest available period, is attached hereto as exhibit 2. Applicant's income and retained income statement for the year 1968 is on file with the Commission in its annual report.

ITEM 3. GENERAL DESCRIPTION OF THE SECURITIES WITH RESPECT TO WHICH THE APPLICATION IS MADE.

(a) Not applicable.

(b) The terms of the securities proposed to be issued are as follows:

(1) The securities to be issued are unsecured

normally consists of promissory notes maturing in 270 days, or less. Since the proposed notes may have a maturity as long as one year from the date of their issue, they will, if maturing in more than 270 days, not fall within the standard definition of commercial paper.

(2) Not applicable. No indenture will be used.

(3) The total principal amount of notes to be issued during the period mentioned in (5) below may exceed $50,000,000; but not more than $50,000,000 principal amount of notes will be outstanding at any one time.

(4) The notes will be issued in any principal amount which is not less than $50,000.

(5) The notes will be dated the date of their issuance and may be issued at any time and from time to time. Applicant proposes that it be authorized to issue such notes during the period ending September 30, 1974.

(6) Two types of commercial paper notes are in general use; and authority is requested in this application to issue commercial paper notes of either

or both types. The first type is sold at a discount and does not bear interest. The form of this type of note is attached hereto as exhibit 4-A. The second type of commercial paper note bears interest; and the form of this type of note is attached hereto as exhibit 4-B. Normally, the discount rate, or interest rate, as the case may be, is less than the prime rate of interest of commercial banks at the time of issuance; however, occasionally it has been somewhat higher. In view of the unusual money market conditions which presently exist, and in order to allow for sudden fluctuations in the discount rate or interest rate, Applicant desires to have authority to issue commercial paper notes at a discount rate, or interest rate, not in excess of the highest prime rate of interest charged by leading commercial banks in New York City at the time of borrowing, plus 1½% per annum.

(7) One type of commercial paper notes will not bear interest. The other type of commercial paper will bear interest payable at maturity.

(8) The notes will mature not more than one year from the date of their issue. New notes may be

issued in place of maturing notes.

(9) Not applicable. No indenture will be used.

(c) The commercial paper notes will be in substantially the forms attached hereto as exhibit 4-A and exhibit 4-B.

ITEM 4. PURPOSE OF THE PROPOSED ISSUE OR ASSUMPTION AND USES OF PROCEEDS.

(a)-(e) Not applicable.

(f) The proceeds of sale of the commercial paper notes will be used to reimburse the treasury of Applicant in part for past capital expenditures and matured debt obligations and to replenish its cash. As set forth in exhibit 5 attached hereto, Applicant's capital expenditures and debt maturities (exclusive of revolving credit notes and commercial paper, which are included in the sources of funds hereinafter referred to) amounted to $1,032,000,000 for the period from January 1, 1966 to August 31, 1969. $848,000,000 of the foregoing cash requirement has been provided as set forth in exhibit 5 hereto, leaving a balance of $184,000,000 which has not been financed.*

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* The foregoing balance does not take into consideration $50,000,000 of credit notes remaining to be issued pursuant to Commission authorization in Penn Central Company Notes, finance docket 25622; but since such notes are earmarked to refund commercial paper which is included in arriving at the figure of $848,000,000, inclusion of such notes would not affect the foregoing figure.

ITEM 5. THE FACTS AND CIRCUMSTANCES ON WHICH APPLICANT RELIES.

(a) Applicant is a corporation organized for the purpose of engaging in transportation as a carrier. The facts and circumstances on which Applicant relies to establish that the proposed issue, (1) is for some lawful object within its corporate purposes, and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by Applicant of service to the public as a common carrier, and which will not impair its ability to perform that service, and (2) is reasonably necessary and appropriate for said purpose, are as follows:

Approval of this application will enable Applicant to obtain funds to reimburse Applicant's treasury in part for past capital expenditures and debt maturities and to replenish its treasury.

Applicant will, by issuing commercial paper notes of a maturity of not more than one year, find access to a source of money at relatively favorable interest rates. Applicant's commercial paper rates* (the discount rate on its commercial

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* These rates do not include the 1/8 of 1% commission of the commercial paper dealer referred to in item 6 hereof.

paper) at the present time range from 8-1/4% to 8-5/8%. The bank prime rate of interest is 8½% per annum. In addition, lending banks require the borrower to maintain compensating balances amounting to 15%-20% of the borrowing from the bank. This requirement in effect adds to the cost of bank borrowings and makes such borrowings more expensive than commercial paper borrowing.

Issuance of bonds is not feasible at this time due to the weakness of the market for railroad bonds.

Under these circumstances, the issuance of Applicant's commercial paper notes is the best method available to it for borrowing money.

Applicant presently has outstanding $150,000,000 of commercial paper, consisting of $100,000,000 authorized in finance docket no. 25179 and $50,000,000 authorized in finance docket no. 25570. There is presently pending before the Commission a petition of Applicant to modify its order in finance docket 25570 to extend until December 31, 1970 the authority therein contained for issuance of commercial paper. As set forth in Applicant's application in finance docket 25179, $100,000,000 of its commercial paper is backed up by a $50,000,000 line of credit with a group of banks; and

as set forth in Applicant's application in finance docket 25570, $50,000,000 of Applicant's commercial paper is backed up by banks' commitments under Applicant's credit agreement dated as of April 1, 1969.* Assuming the issuance of the commercial paper described in this Application, Applicant will have outstanding $200,000,000 of commercial paper backed up by loan commitments of banks in the amount of $100,000,000. Such loan commitments provide reasonable assurance that Applicant will be able to meet such of its commercial paper maturities as it may not be able to refund by new issues of commercial paper or by issuance of other securities or pay out of cash in its treasury.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

ITEM 6. TERMS OF SALE OR OTHER DISPOSITION AND ESTIMATE OF EXPENSES.

The commercial paper notes which do not bear interest will be sold to one or more commercial paper dealers who will purchase the notes at a rate of discount governed by the then current market conditions. The commercial paper notes which do bear interest will be sold by commercial paper dealers as

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* Natural Co. Notes, f d. no. 25622.

agents for the Applicant. The discount in one case, and the rate of interest in the other case, will not exceed the commercial bank prime rate of interest plus 1½% per annum. However, it is expected that the discount or interest rate on the commercial paper notes will not exceed more than slightly, and usually will be less than, the bank prime rate of interest.

The commercial paper notes which do not bear interest will be resold by the dealer at a mark-up which will represent its gross profit. The dealer will incur the expenses of distribution. The interest bearing commercial paper notes will be sold at face amount, and Applicant will pay to the commercial paper dealer a commission of 1/8 of 1% of their face amount. The expenses of Applicant in connection with the sale, exclusive of discount, or the 1/8 of 1% commission, will be nominal.

ITEM 7. CONTRACTS, UNDERWRITINGS, AND OTHER ARRANGEMENTS.

The commercial paper notes will be issued by Applicant through Morgan Guaranty Trust Company of New York, New York, as issuing agent. Such agent will, when notes are to be issued, complete them as to their terms, countersign them and deliver them against receipt of payment for them. Such notes

will be payable at the offices of Morgan Guaranty Trust Company of New York. No compensation will be paid for this service. A copy of the agreement to be entered into with said agent is attached hereto as exhibit 6.

ITEM 8. RESOLUTIONS AND OTHER AUTHORIZATIONS.

(a) Resolutions of the board of directors of Applicant authorizing the issuance of notes are attached hereto as exhibit 3.

(b) Not applicable. Stockholders' approval is not necessary.

(c) Resolutions of the board of directors of Applicant authorizing the filing of this application are included in exhibit 3 hereto.

(d) Not applicable.

(e) Not applicable.

ITEM 9. OPINION OF COUNSEL.

Opinion of Applicant's counsel that the issuance of its promissory notes proposed herein meets the requirements of the law as set forth in item 5 hereof and will be legally authorized and valid if approved by the Commission is attached hereto as exhibit 7.

001499

WHEREFORE, Applicant requests the Commission to enter an order under section 20a of the Interstate Commerce Act authorizing the proposed issue by Applicant from time to time of promissory notes in the nature of commercial paper in an aggregate principal amount not exceeding $50,000,000 at any one time outstanding, as described in this application.

PENN CENTRAL COMPANY,

By J. H. SHAFFER
Treasurer

September 11, 1969.

EDWARD A. KAIER
EDWIN K. TAYLOR
1138 Six Penn Center Plaza
Philadelphia, Pa. 19104

Counsel for Applicant

COUNTY OF PHILADELPHIA)
) ss.
STATE OF PENNSYLVANIA)

J. H. SHAFFER, being duly sworn, states that he is Treasurer of Penn Central Company; that he is authorized on the part of said Applicant to sign and file with the Interstate Commerce Commission this application and the exhibits attached thereto; that he has carefully examined all of the statements contained in such application and the exhibits attached thereto and made a part thereof; that he has knowledge of the matters set forth therein and that all such statements made and matters set forth therein are true and correct to the best of his knowledge, information and belief.

J. H. SHAFFER

Subscribed and sworn to before me, a notary public in and for the state and county above named, this 11th day of September, 1969.

CHARLES E. CASSEL, JR.
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires July 10, 1971

[Notarial Seal]

LIST OF EXHIBITS TO THE APPLICATION

EXHIBIT 1 General balance sheet of Penn Central Company as of June 30, 1969.

EXHIBIT 2 Statement of income and retained income of Penn Central Company for the first six months of 1969.

EXHIBIT 3 Resolutions of the board of directors authorizing the issuance of $50,000,000 of notes; and the filing of this application with the Interstate Commerce Commission.

EXHIBIT 4-A Form of short term notes (commercial paper).

EXHIBIT 4-B Form of short term notes (commercial paper).

EXHIBIT 5 Capital expenditures, debt maturities and financing of Applicant.

EXHIBIT 6 Agency agreement with Morgan Guaranty Trust Company of New York.

EXHIBIT 7 Opinion of counsel for Applicant.

PENN CENTRAL COMPANY 1759a Exhibit 1

GENERAL BALANCE SHEET - JUNE 30, 1969 001472

ASSETS

	CURRENT ASSETS		
701	Cash	$ 50,308,245	
702	Temporary cash investments	500	
703	Special deposits	7,052,762	
704	Loans and notes receivable	3,954,692	
706	Net balance receivable from agents and conductors	88,937,480	
707	Miscellaneous accounts receivable	56,372,128	
708	Interest and dividends receivable	15,894,530	
709	Accrued accounts receivable	135,285,816	
710	Working fund advances	1,419,053	
711	Prepayments	2,246,113	
712	Material and supplies	83,420,406	
713	Other current assets	7,132,072	
	Total Current Assets		$ 452,023,797
	SPECIAL FUNDS		
715	Sinking funds	286,112	
716	Capital and other reserve funds (excludes Company's issues $6,435,039)	5,840,049	
717	Insurance and other funds	11,762,860	
	Total Special Funds		17,889,021
	INVESTMENTS		
721	Investments in affiliated companies	1,153,849,338	
722	Other investments	45,916,143	
	Total Investments		1,199,765,481
	PROPERTIES		
731	Road and equipment property:		
	Road	1,676,184,451	
	Equipment	1,711,054,105	
	Other property accounts	(15,443,324)	
		3,371,795,232	
732	Improvements on leased property:		
	Road	262,117,605	
	Equipment	3,579,170	
	General expenditures	4,854,626	
		270,551,401	
	Total Transportation Property	3,642,346,633	
735	Accrued depreciation - Road and equipment	(901,683,316)	
736	Amortization of defense projects - Road and equipment	(42,698,945)	
	Recorded depreciation and amortization	(944,382,261)	
	Total Transportation Property Less Recorded Depreciation and Amortization	2,697,964,372	
737	Miscellaneous physical property	90,175,638	
738	Accrued depreciation - Miscellaneous physical property	(40,559,660)	
	Miscellaneous physical property less recorded depreciation	49,615,978	
	Total Properties Less Recorded Depreciation and Amortization		2,747,580,350
	OTHER ASSETS AND DEFERRED CHARGES		
741	Other assets	28,543,134	
742	Unamortized discount on long-term debt	1,450,520	
743	Other deferred charges	243,091,065	
	Total Other Assets and Deferred Charges		273,084,719
	TOTAL ASSETS		$4,690,343,368

Exhibit 1

PENN CENTRAL COMPANY 1760a 091413

GENERAL BALANCE SHEET - JUNE 30, 1969

LIABILITIES AND SHAREHOLDERS' EQUITY

	CURRENT LIABILITIES				
751	Loans and notes payable			$ 120,619,537	
752	Traffic and car service balances - Cr.			2,153,359	
753	Audited accounts and wages payable			47,404,958	
754	Miscellaneous accounts payable			23,739,114	
755	Interest matured unpaid			7,303,038	
756	Dividends matured unpaid			27,920	
757	Unmatured interest accrued			13,962,597	
758	Unmatured dividends declared			14,675,112	
759	Accrued accounts payable			223,284,755	
760	Federal income taxes accrued			516,750	
761	Other taxes accrued			33,423,852	
763	Other current liabilities			13,280,922	
	Total Current Liabilities				$ 500,391,914
	LONG-TERM DEBT DUE WITHIN ONE YEAR				
764	Equipment obligations and other debt				75,165,330
	LONG-TERM DEBT DUE AFTER ONE YEAR				
		Total Issued	Held by or For Company		
765	Funded debt unmatured	$1,314,832,217	$292,049,450	1,022,782,767	
766	Equipment obligations	479,125,157	4,619,578	474,505,579	
769	Amounts payable to affiliated companies			141,228,068	
	Total Long-Term Debt Due After One Year				1,638,516,414
	RESERVES				
771	Pension and welfare reserves			7,102,063	
772	Insurance reserves			17,435,754	
774	Casualty and other reserves			167,529,835	
	Total Reserves				192,067,652
	OTHER LIABILITIES AND DEFERRED CREDITS				
782	Other liabilities			29,358,712	
783	Unamortized premium on long-term debt			79,576	
784	Other deferred credits			76,956,925	
785	Accrued depreciation - Leased property			181,294,614	
	Total Other Liabilities and Deferred Credits				287,689,827
	SHAREHOLDERS' EQUITY				
791	Capital stock issued			241,092,700	
	CAPITAL SURPLUS				
794	Premiums and assessments on capital stock			87,415,238	
795	Paid-in surplus			1,002,372,913	
	Total Capital Surplus			1,089,788,151	
	RETAINED INCOME				
797	Retained income - Appropriated			850,000	
798	Retained income - Unappropriated			664,781,380	
	Total Retained Income			665,631,380	
	Total Shareholders' Equity				1,996,512,231
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				$4,690,343,369

Exhibit 2

091414

PENN CENTRAL COMPANY

INCOME ACCOUNTS AND STATEMENT OF RETAINED INCOME - UNAPPROPRIATED

FOR THE SIX MONTHS ENDED JUNE 30, 1969

	ORDINARY ITEMS	
	RAILWAY OPERATING INCOME	
501	Railway operating revenues	$823,902,167
531	Railway operating expenses	688,095,082
	Net Revenue from Railway Operations	135,807,085
532	Railway tax accruals	57,555,581
	Railway Operating Income	78,251,504
	RENT INCOME	
504	Rent from locomotives	303,897
505	Rent from passenger train cars	291,828
506	Rent from floating equipment	13,225
507	Rent from work equipment	32,418
508	Joint facility rent income	3,577,582
	Total Rent Income	4,218,950
	RENTS PAYABLE	
536	Hire of freight cars - Debit balance	77,449,401
537	Rent for locomotives	10,543,625
538	Rent for passenger train cars	5,614,749
539	Rent for floating equipment	144,401
540	Rent for work equipment	81,785
541	Joint facility rents	6,222,248
	Total Rents Payable	100,056,209
	Net Rents	(95,837,259)
	Net Railway Operating Income	(17,585,755)
	OTHER INCOME	
502	Revenue from miscellaneous operations	127,693
509	Income from lease of road and equipment	138,622
510	Miscellaneous rent income	5,713,353
511	Income from nonoperating property	11,439,299
512	Separately operated properties - Profit	3,687
513	Dividend income	33,963,933
514	Interest income	1,917,019
516	Income from sinking and other reserve funds	351,963
517	Release of premiums on funded debt	2,567
519	Miscellaneous income	4,710,339
	Total Other Income	58,368,475
	Total Income	40,782,720
	MISCELLANEOUS DEDUCTIONS FROM INCOME	
534	Expenses of miscellaneous operations	21,162
535	Taxes on miscellaneous operating property	27,607
543	Miscellaneous rents	507,197
544	Miscellaneous tax accruals	745,196
545	Separately operated properties - Loss	1,889,993
549	Maintenance of investment organization	696,564
550	Income transferred to other companies	160,912
551	Miscellaneous income charges	1,504,920
	Total Miscellaneous Deductions	5,553,553
	Income Available for Fixed Charges	35,229,167
	FIXED CHARGES	
542	Rent for leased roads and equipment	13,092,873
546	Interest on funded debt; fixed interest not in default	39,089,018
547	Interest on unfunded debt	3,885,704
548	Amortization of discount on funded debt	180,325
	Total Fixed Charges	56,247,920
	BALANCE OF INCOME TRANSFERRED TO RETAINED INCOME - UNAPPROPRIATED	(21,018,753)
	RETAINED INCOME - UNAPPROPRIATED	
601	Credit balance at beginning of year	728,624,581
622	Appropriations released	572,000
		729,196,581
612	Debit balance transferred from income	21,018,753
623	Dividends	43,396,275
		64,415,028
	CREDIT BALANCE AT END OF PERIOD	$664,781,553

1762 a

091415

PENN CENTRAL COMPANY
Office of the Secretary
General Office, Philadelphia

I HEREBY CERTIFY that the following is a true and correct copy, from the minutes, of action taken at a meeting of the Board of Directors of PENN CENTRAL COMPANY, held at the General Office of the Company in the City of New York, on August 27th, 1969:

RESOLVED that the Chairman of the Board, the President, the Chairman of the Finance Committee, any Vice President, the Treasurer or any Assistant Vice President is authorized, in the name and on behalf of the Company, from time to time to execute, either manually or by facsimile signature, and to deliver short term promissory notes of the Company (herein called "commercial paper") of any maturity or maturities of not more than twelve months from the date of issuance thereof and in any principal amount or amounts, provided that the aggregate principal amount of such commercial paper at any one time outstanding shall not exceed $50,000,000., said notes to be sold at such discounts (or to bear such interest rate or rates) not in excess of one and one half per cent over the prime rate at the time of their issuance, to be in such forms, to bear such maturity dates, and to be issued in such amounts (subject to the foregoing limitations), as may be approved by the officer executing the same, the execution of any commercial paper by any of the foregoing officers to be conclusive evidence of his approval thereof; and that the authority hereby granted to execute and deliver commercial paper shall expire on September 30th, 1974.

RESOLVED that the foregoing officers, or any of them, are authorized, from time to time in the name and on behalf of the Company, (1) to execute and deliver agreements with one or more banks or trust companies in New York, New York, or Philadelphia, Pennsylvania, or both, providing for the safekeeping, completion, countersignature and/or delivery of the above authorized commercial paper, and (2) to execute and deliver agreements with such persons, firms or corporations as may be appropriate for the sale of the above-authorized commercial paper, said agreements to be in such forms and to contain such terms

and provisions as may be approved by the officer executing the same, such execution by said officer to be conclusive evidence of his approval thereof.

RESOLVED that Stuart T. Saunders, Chairman of the Board, A. E. Perlman, President, David C. Bevan, Chairman of the Finance Committee, Jonathan O'Herron, Vice President, J. H. Shaffer, Treasurer, J. E. Dermond, Assistant Vice President or R. W. Loder, Assistant Vice President, is authorized to sign, verify and file from time to time, in the name and on behalf of the Company, such petitions or applications to the Interstate Commerce Commission, or to any other governmental agency or commission, if any, as may be necessary or appropriate to effectuate the issue or sale of the above-authorized commercial paper.

RESOLVED that the foregoing officers, and other appropriate officers of the Company, are severally authorized, in the name and on behalf of the Company and under its corporate seal or otherwise, to execute and deliver, or to cause to be executed and delivered, any and all instruments, contracts, agreements, documents and papers, including supplements and amendments, and to do or to cause to be done all such acts and things, including the payment of the costs and expenses of the issuance and sale of such commercial paper, as may be necessary or appropriate to effectuate any borrowings by the issuance of commercial paper, and including the making of any changes in the terms and conditions hereinbefore authorized for the issue and sale of commercial paper by the Company which may from time to time be required by the Interstate Commerce Commission.

ATTEST:

CORPORATE SEAL

W. A. HARING
Assistant Secretary

September 10th, 1969

EXHIBIT 4-A

(Form of Commercial Paper Notes)

PENN CENTRAL COMPANY
Philadelphia, Pennsylvania

$_____ No._____

Date _____

On _____, Penn Central Company promises to pay to the order of _____ _____ Dollars

Payable at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N. Y. Value received.

Not valid unless countersigned by Morgan Guaranty Trust Company of New York, as issuing agent.

PENN CENTRAL COMPANY,

Countersigned for authentication only:

By_____
Authorized Signature

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as issuing agent,

By_____
Authorized Signature

EXHIBIT 4-B

(Form of Commercial Paper Notes)

PENN CENTRAL COMPANY
Philadelphia, Pennsylvania

$_____ Date _____

FOR VALUE RECEIVED, Penn Central Company promises to pay to the order of _____ _____Dollars with interest of $_____, $_____.

Payable at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N. Y. Not valid unless countersigned by Morgan Guaranty Trust Company, of New York, as issuing agent.

PENN CENTRAL COMPANY,

Countersigned for authentication only:

By_____
Authorized Signature

Morgan Guaranty Trust Company of New York, as issuing agent,

By_____
Authorized Signture

Exhibit 5

PENN CENTRAL COMPANY

	1966	1967	1968	(First 8 Months) 1969
Capital Expenditures:				
Road	$ 76,933,000.	$ 83,428,000.	$ 86,839,000.	$ 51,000,000.
Equipment	184,243,000.	100,362,000.	104,361,000.	30,000,000.
Total Capital Expenditures	$261,176,000.	$183,790,000.	$191,200,000.	$ 81,000,000.
Maturities	72,900,000.	76,800,000.	113,900,000.	51,200,000.
Total Capital Expenditures and Maturities	$334,076,000.	$260,590,000.	$305,100,000.	$132,200,000.
Financing:				
Equipment Trusts	44,010,000.	21,675,000.	4,800,000.	-
Conditional Sale Agreements	102,652,000.	58,837,000.	93,200,000.	26,000,000.
Stock Options	2,237,000.	2,974,000.	1,418,000.	671,000.
Revolving Credit Agreement	-	-	100,000,000.	150,000,000.
Eurodollar Loan	-	-	50,000,000.	-
Commercial Paper	-	-	100,000,000.	50,000,000.
Other	2,312,000.	1,956,000.	31,900,000.	2,962,000.
Total Financing	$151,211,000.	$ 85,442,000.	$381,318,000.	$229,633,000.
Excess of Expenditures over Financing (Cumulative)	$182,865,000.	$358,013,000.	$281,795,000.	$184,362,000.

1766a

EXHIBIT 6
Page 1

PENN CENTRAL

SIX PENN CENTER
LADELPHIA, PA 19104

Morgan Guaranty Trust Company
of New York
23 Wall Street
New York, New York 10015

Dear Sirs:

We hereby request you to act, on the following terms and conditions, as the depository for those promissory notes of this corporation which we deliver to you from time to time hereunder.

1. When the notes are delivered to you, they will be in bearer form but the amount, date of issue, place of payment and maturity date will be blank and each note will have been signed in the name and on behalf of this corporation by at least one of our following named officers:

Name	Title

2. Upon receipt of telephone or written instructions from y one of the officers named above, or from any other person authorized in writing by any one of said officers to give such instructions, you are to withdraw the necessary note(s) from safekeeping and in accordance with the instructions given you are to,

(a) complete each note as to amount, date of issue, maturity date, place of payment and amount of interest if it is an interest bearing note; and

(b) countersign each note by any one of your officers or employees designated by you for that purpose; and

(c) deliver the note(s) to the designated consignee(s) against receipt of payment or as otherwise specified in such instructions. If you are instructed to deliver a note by mail, you are, unless otherwise

directed, to strike the word "Bearer", insert as payee the name of the purchaser's bank of deposit (of which we shall advise you) and then effect delivery by registered mail, uninsured.

You shall incur no liability to us in acting upon telephone instructions which the recipient thereof believed in good faith to have been given by an authorized person.

Funds received in payment for the notes are to be credited to our account on your books. All notes payable at your office and presented for payment at maturity are to be paid by you and charged to our account.

We understand that when you are instructed to deliver a note against payment, the delivery and the receipt of payment are not completed simultaneously. You advise that pursuant to the custom prevailing in your commercial paper market, you deliver the note at the purchaser's office and take back the purchaser's receipt for the delivery. Later the same day and after the purchaser has verified the delivery against his contracts, payment to you is then effected by a credit to your account at the Federal Reserve Bank of New York or by the delivery to you of a check payable to your order drawn by another member bank on such Federal Reserve Bank or by a check drawn by the purchaser on you and payable to your order. If payment is made by check your messenger picks up the check at the purchaser's office and if it is drawn on you it is entered for certification in Federal Funds. However, the check is not certified until the purchaser has obtained and made available to you Federal Funds to cover the certification and you advise that such Funds may not be made available to you until late in the day. In the event we instruct you to transfer the proceeds of a sale to another bank, we understand that the transfer is made by wire in Federal Funds through the Federal Reserve Bank of New York and must be effected prior to a certain time of day depending on the destination of the funds. In order to meet the deadline for wire transfers and to assure the availability of the funds to us on the date of delivery of the note to the purchaser, you advise that it is often necessary for you to effect the transfer prior to the receipt by you of the proceeds of the sale. Accordingly, if you make such a transfer of funds before you receive the proceeds of the sale in immediately available funds, it is understood that such transfer shall represent an advance by you to us

EXHIBIT 6
Page 3

to be repaid from the proceeds of sale or by us in the event such proceeds are not received by you.

All communications, by telephone or otherwise, relating to the completion, delivery or payment of the notes are to be directed to your Loan Department. Any of the foregoing instructions given to you by telephone will be confirmed the same day by us in writing signed by at least one of those persons authorized to give you instructions as above provided. You have advised us that the individuals in your Loan Department who will administer this arrangement, are L. A. Martella, E. McGill, F. Teague and D. Dick. We shall send additional supplies of notes when required to your Loan Department and for purposes of your internal control a copy of our letter of transmittal will be send under separate cover to your Auditing Department.

This agreement may be terminated at any time by either of us by written notice to the other but such termination shall not affect our respective liabilities hereunder arising prior to such termination.

If this proposed arrangement is acceptable to you will you please execute the acceptance on the attached copy of this letter and return it to us.

Yours very truly,

Accepted.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By_____

001423

EXHIBIT 7

1770a

PENN CENTRAL COMPANY
1138 Six Penn Center Plaza
Philadelphia, Pa. 19104

September 11, 1969.

The Interstate Commerce Commission

Washington, D. C.

Dear Sirs:

I have examined the accompanying application of Penn Central Company for authority to issue commercial paper type promissory notes in a principal amount not exceeding $50,000,000 at any one time outstanding. I am of the opinion that the issuance of such notes as proposed in the foregoing application:

a. is for a lawful object within the corporate purposes of Penn Central Company and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by such carrier of service to the public as a common carrier and which will not impair its ability to perform that service;

b. is reasonably necessary and appropriate for such purposes; and

c. will be legally authorized and valid if approved by the Commission.

Very truly yours,

Edwin K. Taylor

General Attorney

U01424

CERTIFICATE OF SERVICE

EDWIN K. TAYLOR hereby certifies that upon the 12th day of September, 1969, a copy of the foregoing application was mailed to the Governor of each State in which the Applicant operates or is authorized to do business as follows:

Copies were mailed to the Governors of the following states: Connecticut, Delaware, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia and West Virginia.

The Governor of each such state has been advised that if it is desired to make any representations or to be heard in the matter, he or other appropriate authority of his state should notify the Commission within fifteen days.

EDWIN K. TAYLOR

Ex. PX-75: Portion of "A Report in the Commercial Paper Department prepared for the Management Committee and the Partnership," March 1970

1772 a

GOLDMAN, SACHS & CO.

A REPORT ON THE COMMERCIAL PAPER DEPARTMENT PREPARED FOR THE MANAGEMENT COMMITTEE AND THE PARTNERSHIP

MARCH 1970

Prepared by: Robert G. Wilson
George Van Cleave
Matthew J. Tolan
Roger M. Lynch
Hy Weinberg

CONFIDENTIAL

COMMERCIAL PAPER DEPARTMENT

INTRODUCTION

At the request of the Partnership, and for the purpose of the Management Committee's yearly review, we have prepared a detailed study of the operations of the Commercial Paper Department. An Organization Chart for the department is shown in Exhibit I. The primary reasons for initiating and conducting this study were:

1. To define the objectives of the Commercial Paper Department and the role of Goldman, Sachs & Co. in the overall commercial paper market.

2. To institute changes necessary to insure that our rate structure for issuers is competitive.

3. To determine ways of improving the overall profitability of the Commercial Paper Department.

4. To determine ways of reducing inventory.

5. To improve our ability to meet the requirements of our issuers.

6. To examine the reasons for our spiraling costs.

7. To evaluate the effectiveness of our internal systems and communications.

This study was initiated early in November 1969. At that time, the most current financial and operating data available was for the month of September 1969. Since we needed at least one full year of data for most of our analyses, we chose the most recent twelve month period that was then available, namely October 1, 1968 through September 30, 1969. For this period, we collected and used all of the detailed information available on purchases, sales, amount of paper outstanding, inventory levels, operating costs, inventory markups, and inventory carrying costs.

It should be pointed out that the study period was marked by a dramatic increase in interest rates, with the prime bank rate going from 6% to 8-1/2%, and our best buying rates going from 5-7/8% to 9-1/8% during the period. (See Exhibit II)

For the purpose of this commercial paper study the operation of the FNMA Department was not considered. Accordingly, all income and expenses of the FNMA operation have been excluded from the projected profit figures. We have also excluded the income from the sale of federal funds and private placements (an estimated $275,000 for the period studied) from our profit projections due to the uncertainty of this income continuing.

BACKGROUND – PROJECTIONS

Four years ago the amount of commercial paper Goldman, Sachs & Co. had outstanding was approximately $900 million. As of March 31, 1970 our outstandings were $5.9 billion. We

expect during the current year our outstandings will peak at $6.4 billion. Based on the assumption that the major thrust of the Commercial Paper Department continues on the present basis, we have prepared the following projections.

Projections of Average and Peak
Goldman, Sachs & Co.'s Outstandings
for the Next Three Years

	Average	Peak
1969 Actual	$4.7 billion	$5.4 billion
1970	5.9 billion	6.4 billion
1971	6.7 billion	7.2 billion
1972	7.4 billion	7.9 billion
1973	8.0 billion	8.5 billion

Assuming we reach these levels of outstandings in the next three years, it will necessitate more personnel, more space, new systems to handle increased number of transactions, etc. In short, our overhead costs will climb dramatically. More importantly, we estimate operating as we do today, the need to carry four to five hundred million dollars of inventory by 1973.

During the latter part of 1966 competitive factors compelled us to reduce our 1/4 of 1% spread to 1/8 of 1%. In recent years four major investment banking firms have become commercial paper dealers -- Eastman Dillon, Union Securities & Co., The First Boston Corporation, Lehman Commercial Paper, Inc., and Merrill Lynch, Pierce, Fenner & Smith, Inc.

In the past four years the Commercial Paper Department's profits, after all charges but before taxes, have fluctuated downward. They certainly have not grown proportionately with outstandings. The following table shows the Commercial Paper Department's profits since 1966.

The Commercial Paper
Department's Net Profits

1966 -- $ 624,000
1967 -- $1,162,000
1968 – $ 268,000
1969 – $ 435,000

ACTIONS INITIATED TO ADJUST TO THE CHANGING COMMERCIAL PAPER MARKET

In order to counter the erosion of profits and increased competition, we have taken the following actions. Many of the positive effects of these changes are not visible in the figures for the period studied due to the bias of rapidly rising interest rates, the large negative carry of inventory, the unusual growth in our outstandings and the increase in the number of transactions handled. Furthermore, some of the new actions were started after the study period.

1. Requiring issuers to establish New York, Chicago and West Coast bank release of notes in order to fill special orders of specific maturity dates. (This is known as "Tap Issue")

2. Introducing the concept of large industrial issuers establishing demand lines at their banks. The demand lines enable the issuer to borrow from his bank on a daily basis, eliminating most of the need for Goldman, Sachs & Co. to inventory unsold paper. This permits Goldman, Sachs & Co. to sell the paper on a special order basis and enables the issuer to then pay down the demand line. We are in the early stages of this program and are adding larger issuers as rapidly as details can be worked out.

3. Initiating the concepts of tap issue and demand lines has enabled us to manage our inventory positions more efficiently and effectively. However, keeping inventory below the $250 million ceiling will become more difficult as our outstandings rise, as the average maturity of our industrial issuers becomes shorter, and as our average daily industrial and finance company maturities approach $200 to $250 million.

4. On a limited number of smaller and less marketable issuers we have established a policy of working on a "best efforts" basis with no inventory. This has been in effect for a short period of time and experience has shown we can generate sufficient sales to take care of these issuers providing an intensive sales effort is made in the issuer's geographical region at 1/8 of 1% or more higher selling rates.

5. Establishing a formal credit committee for periodic review of our 300 commercial paper issuers.

6. Increasing spreads for smaller less marketable issuers under a new classification system. This system was not in effect during the period studied. This system operates in the following manner:

Class I (excellent marketability) – Best selling rate plus 1/8 of 1% spread determines buying rate.

Class II (good marketability) – Same as Class I but for shorter maturities.

Class III (fair marketability) – 1/8 of 1% over our best selling rate plus 1/8 to 1/4 of 1% spread determines buying rate.

Class IV (poor marketability) – 1/4 of 1% over our best selling rate plus 1/4 to 1/2 of 1% spread determines buying rate.

7. Increasing the size of our sales organization, buying department, and credit department. We opened a sales office in Los Angeles.

8. Establishing the position of National Sales Manager with the authority and responsibility to coordinate the marketing of commercial paper in all offices. Matt Tolan is currently examining each sales office, focusing on the number and quality of personnel, salesmen's existing and potential client assignments and the efficiency of internal systems and procedures.

9. Initiating West Coast release of finance company notes, which enables the Los Angeles office to sell up until 3:30 p.m., East Coast time, for same day delivery. We are expanding this concept to more of our larger issuers as demand develops, and plan to have some of our larger industrial company issuers included.

10. Relocating the St. Louis buying function to New York and Chicago. When completed this will result in better coordination, faster decisions and greater accuracy.

11. Establishing a morning conference call at 10:00 a.m. with all offices to discuss market conditions, competition, inventory positions and to apprise all salesmen as to availability of paper and current selling rates.

12. Instituting "hot" lines and tie lines to the sales offices as well as to key investing and issuing accounts.

13. Initiating a study on communications and procedures with Arthur D. Little & Co. conducting the study. The final results of this study will not be available until early May.

14. Reducing the selling rate by 1/4 of 1% on all sales less than $200M. This in effect enables Goldman, Sachs & Co. to earn 1/4 of 1% more, which goes to offset the cost of the transaction. We are also considering a minimum transaction fee of $20 for this size trade.

15. Increasing the minimum sale from $50,000 to $100,000. We are continually reviewing this matter and may raise the minimum sale to $200,000.

DEVELOPMENT OF A NEW STRATEGY

This study has afforded management of the Commercial Paper Department an opportunity to stand back from day-to-day operations and analyze where we have been and where we are going. Like so many companies which go through a rapid growth period, there comes a time when management must analyze all accounts and prune out the unprofitable ones. We think the Commercial Paper Department should do just that. Only five years ago we were servicing 125 issuing accounts. In the last four years we have taken on nearly 180 new issuers. Clearly, certain issuing accounts which were profitable in 1966 at the $2-$3MM level of outstandings are no longer profitable in 1970. Furthermore, we feel it makes good business sense to periodically upgrade our client list. As part of this process of self-examination and critical review, we have developed a new strategy for the 1970's.

This strategy is based on three fundamental concepts: (1) a select client mix; (2) marketing on a "tap" issue basis, and (3) issuer access to demand bank borrowing. This new strategy will permit Goldman, Sachs & Co. to provide efficient service to a select client mix at competitive rates while at the same time increasing profits. This result comes about primarily because we will be carrying virtually no inventory and, therefore, will not incur the losses associated with marking up paper and negative carry.

A more selective client list made up primarily of our large issuers selling on a "tap" issue basis with backup demand lines, would in our judgment require the carrying of virtually no inventory to meet their day-to-day requirements. We find that as we add to the client list a large

number of issuers, our selling effort becomes diffused. This results in our having to position their notes to meet their requirements. A pertinent question arises as to why not handle all our issuers on a "tap" basis with backup demand lines? We do not believe Goldman, Sachs & Co. can service 300 issuers on this basis because (1) the smaller issuers probably could not get demand lines from their banks; (2) the smaller issuers are less marketable and therefore it is more difficult to generate special orders on a same day basis, and (3) should we decide to expand our staff in order to achieve this objective the costs would greatly exceed the income derived.

Our analysis indicated (Exhibit III) a high concentration in outstandings, with relatively few issuers accounting for the bulk of the outstandings. Of our 195 active issuers on September 30, 1969, the 69 largest accounted for 86.5% of our outstandings, and as of February 28, 1970, 61 of our largest issuers accounted for 86% of our outstandings. We feel there should be sound business reasons why we continue to handle smaller and less marketable issuers. Furthermore, we should be concentrating our efforts on servicing companies with net worths in excess of $100 million, which have the potential of issuing $10–$500 million commercial paper or of generating a minimum of $12,500 gross income per year.

Many of our existing large issuers have asked us why we do not specialize in handling larger accounts. Our competition, particularly the newer commercial paper dealers, when talking to potential large issuers and to our large existing clients are contending that "Goldman, Sachs & Co. is too big in the commercial paper market," "they cannot possibly handle 300 issuing accounts," and that "you will be just another account at Goldman, Sachs." There is some truth to these assertions. We must make further changes in our method of operations if we are to maintain our position of leadership.

This study has convinced us it is not necessary or desirable to inventory commercial paper. The market has changed in the last five years. Formerly, we called an issuer three days in advance, set the maturity, denominations and rate, and had the company mail the notes to us. In this type of transaction the purchase was for inventory and not for special order. The concept of inventorying is out of date in today's market. Our selling day is now compressed into a two-hour period between 10:30 a.m. and 12:30 p.m. New York time. The investor wants delivery of the actual notes and usually will not take due bills. The investor wants to choose the maturity, not work out of Goldman, Sachs' inventory with its prearranged maturity dates. The investor wants quick answers as to whether we can complete a sale. On a recent sales day of $326 million, $316 million of it was special order and never appeared in Goldman, Sachs' inventory. More surprisingly, Goldman, Sachs & Co.'s inventory at the start of that day was $225 million and closed the day at $225 million. Furthermore, the positioning of commercial paper was expensive during the period studied. We incurred two types of losses: a $1,300,000 loss in financing the position and a $1,372,147 loss from marking up paper in inventory. By eliminating this out-of-date practice of inventorying, the Commercial Paper Department's profits will be enhanced.

There are a number of other benefits to Goldman, Sachs & Co. connected with a decision not to inventory commercial paper:

1. Cost reductions can be made relating to financing positions and to certain back office personnel (runners, loan desk, etc.)

2. There is less risk of notes being lost or stolen (with the attendant insurance costs) if the repos, loans and hold-in-custody items are virtually eliminated.

3. The Texas Gulf Sulphur case and the Merrill Lynch–Douglas Aircraft case have made financial officers more reluctant to tell us news prior to a general public release. In recent months, adverse news at Libby, McNeill & Libby, General Dynamics, and Penn Central have made us question the wisdom of positioning large amounts of an issuer's notes. We now doubt there are sufficient business reasons to inventory paper due to the remote risk of some day having $5–$10 million of commercial paper collateral (even temporarily) unacceptable for loan purposes.

4. By not carrying inventory for the purpose of satisfying issuers' requirements, we free up a potential capacity for carrying positions for the sole purpose of trading.

5. By not carrying a commercial paper inventory the partnership balance sheet becomes less leveraged.

6. In the past the Commercial Paper Department has recommended to the Management Committee that the Department be incorporated for the purpose of minimizing risk. Separate incorporation of the Department is not as necessary if we carry virtually no inventory.

This study also confirmed that there is a direct correlation between Goldman, Sachs & Co.'s level of inventory and its competitiveness on rates. This correlation is best illustrated in the following way:

Assuming at the start of a business day we have $100 million of potential inventory to buy, and assuming the inventory level is near the $250 million ceiling, and assuming sales are slow, we are faced with the following options:

1. We can trade dollars, which means simultaneously buying and selling paper at the same rate for the purpose of stimulating sales. If we maintain the existing rates and trade dollars, we remain competitive for the issuers but eliminate any income from these trades. If we raise rates, we become non-competitive.

2. We can initiate distress selling, which means marking up inventory paper to a level where large sales are generated. This practice frees up room within the inventory ceiling to accommodate those issuers having maturities that day, but at a breakeven or loss basis. This practice of distress selling can be done at any time during the business day. It has an unfortunate derivative effect if done constantly in that some corporate investors, who are issuers or potential issuers, believe that if Goldman, Sachs & Co.'s selling rates are high their buying rates must be high also. Some of our clients feel they should "buy from Goldman, Sachs & Co. and issue through a competitor."

3. We can advise the issuers to cover their commercial paper maturities with bank borrowing. This, in effect, is turning them down and raises uncertainty in the issuer's mind as to the reliability of the commercial paper market. They question if they should use Goldman, Sachs & Co. exclusively, or split the account, in order to give them greater assurance of covering their maturities.

4. We can request a temporary increase in the inventory ceiling from the Management Committee. This option was not always open to us during the period studied, as financing was not available. During periods of tight credit when there is a large negative carry this option becomes undesirable. Furthermore, unless sales pick up the following day we are faced with the same dilemma, only at a higher inventory level.

There are other adverse competitive factors associated with large inventories. They are:

1. We very often trade dollars or initiate distress selling during periods of large negative carries in order to cut losses. At times it is cheaper to unload short inventory paper rather than carry it at a point or more loss. The competitive disadvantage is the same as 2. above.

2. For the period studied we were frequently unable to buy back large blocks of paper from investors because we were near our inventory ceiling. Therefore, we were noncompetitive in relation to what our investors said other dealers were able to do.

3. We found the technique of financing $100 million of our $250 million inventory by repos frequently resulted in freezing that $100 million from same-day delivery unless there was due bill authorization. The salesmen could not offer for same-day delivery two-fifths of our inventory where physical delivery of the notes was required because they were "out on repo."

The above illustrations have convinced us we have become noncompetitive during those market periods when the inventory ceiling becomes operative, which for this study was nearly three days out of five. By adopting our new strategy and carrying virtually no inventory we feel we can eliminate these problems and become very competitive.

FNMA DEPARTMENT

As previously stated, the FNMA Department's costs and income were not included in this commercial paper study. By way of background, Mike Bruno, Manager, reports to George Van Cleave. Mike has a two-man staff in New York and has just hired one salesman in Chicago. Sales are primarily generated through the commercial paper salesmen. We act as agent in a four-firm syndicate under a three-year contract which expires 12/31/71. There are currently $4 billion FNMA discount notes outstanding. We are doing about 14% of the sales volume. Our trading inventory averages approximately $5MM. On a .05% commission, in calendar 1969 we grossed $180,000. We are hopeful of expanding our activities in the sale of other governmental agencies' securities.

NOTE & DISCOUNT DEPARTMENT

The Note & Discount Department is essentially the operations' arm of the Commercial Paper Department. However, organizationally the Note & Discount Department reports to the Treasury Division (Bob Geiger) who, in turn, reports to George Doty.

The Note & Discount Department working closely with the Cashier, Cage, Custody, and Runners, processed 103,000 transactions for the period studied. The Note & Discount Department performs the following specific functions:

- Receiving and processing commercial paper
- Preparation of commercial paper for delivery
- Certain record keeping and preparation of reports
- Confirming New York Office purchases and sales
- Managing the Inventory Control Desk
- Managing the Inventory Loan Desk
- Arranging repos and other financing of inventory in conjunction with the Cashier

The policies and procedures established by the Note & Discount Department to accomplish their responsibilities very much affect the daily functioning of the Commercial Paper Department. For instance, their rules on (1) availability of collateral which is "out on repo;" (2) deadlines for substitution of collateral which is "out on repo;" (3) cutoff deadlines for same-day sales, purchases, and deliveries; (4) deadlines for buybacks and prepays; and (5) the use of due bills, all directly affect the Commercial Paper Department's ability to be competitive with issuers and investors alike.

It is because these two departments are so interrelated we feel there would be many advantages to having the Note & Discount Department report to the Commercial Paper Department.

SIMULATION MODELS AND ANALYSIS

In developing this study it appeared logical to build a number of simulation models to determine the impact of making changes in our client mix. As we made changes in client mix we wanted to measure the impact on profitability, inventory levels, etc. Initially we constructed six models, beginning with our fifty largest issuers and adding additional issuers for each model.

Model A – Represents our 50 largest commercial paper issuers.

Model B – Represents our 100 largest commercial paper issuers.

Model C – Represents our 100 largest issuers plus 39 issuers which produced income for other departments at Goldman, Sachs & Co. (See Exhibit IV)

Model D – Represents 152 commercial paper issuers chosen by the Commercial Paper Department strictly on the basis of the marketability of their notes and potential profitability of the accounts.

Model E – Represents all issuers in Model D plus those 39 issuers which produced income for other departments at Goldman, Sachs & Co. (See Exhibit IV).

Model F – Represents our actual operation of servicing 299 commercial paper issuers.

Starting with these six basic models we built numerous sub-models by varying such factors as:

- 1/8 of 1% spread
- negotiated fee
- sliding scale rate formula based on different levels of outstandings

- with inventory
- without inventory
- 25% increase in outstandings
- 25% decrease in outstandings

For the 63 resulting combinations we prepared an estimated profit and loss statement, calculated the amount of commercial paper that would be outstanding, and the average level of inventory that would exist, if any. For each of the 6 basic models we also prepared an organization chart of the Commercial Paper Department showing job functions and the number of personnel required. From the 63 models and sub-models, we have selected 18 for your consideration. (See summary of estimated profit and loss statements – Exhibit V and VI) We believe they represent the realistic options available to us. We have briefly stated the advantages and disadvantages of each of the 18 selected. On the basis of this study we have recommended that a specific course of action be authorized and implemented.

ASSUMPTIONS FOR THE REPORT

1. We assume that the prime mission for Goldman, Sachs & Co. in its commercial paper activity is to earn a fair return. Additional considerations are to aid the Corporate Finance Department in the solicitation of other investment banking business.

2. We assume there will be no Federal Regulation of non-bank related commercial paper.

3. We assume there will be a scarcity of short-term credit in the United States for the next five years, thus providing large credit-worthy corporations with an incentive to borrow in the commercial paper market. Although we anticipate a portion of this short-term debt will be funded periodically, we feel that because of the tremendous need for capital the dealer commercial paper market will continue to expand.

4. We assume that during the next few years financing will be available for inventory positions but on average at a negative carry.

5. We assume that the competition from other dealers will increase.

6. In preparing the Profit and Loss Statements for each of the 18 models and sub-models discussed in this report, we assume the gross spread will remain at 1/8 of 1% with the exception of those issuers where our spread is more than the 1/8 of 1%. In certain models we have indicated that a minimum fee arrangement would be applied to a selected class of accounts.

7. We assume in those models and sub-models where virtually no inventory is indicated, that issuers will be able to obtain demand lines to cushion run-offs and that nearly all transactions will be handled on a special order basis.

8. We assume that as the level of activity (measured by the number of transactions) is reduced or increased by adopting one of the models or sub-models analyzed, variable costs will decrease or increase in accordance with the patterns that we have found in the past.

9. We assume that Goldman, Sachs & Co. will maintain its policy of servicing issuer accounts exclusively.

10. We assume the frequency of changes in short-term rates will continue in the future, with attendant adverse effect on departmental profits because of markups. Invariably, inventory positions are larger when rates are rising and smaller when rates are falling and therefore frequent shifts in short-term rates result in our losing more on the way up than we earn on the way down.

11. We assume there will be no broad secondary trading market in commercial paper for the next five years. Trading will be confined to the period buybacks by the originating dealer when an investor has an unexpected need for funds.

FINDINGS

1. Despite the bias created by the rapid rise in interest rates and the unusually large negative carry during the period studied, this report demonstrates that the Commercial Paper Department can earn substantial profits. By adopting certain of the models or sub-models analyzed the profits for the department could have been improved.

2. The positive effects from the numerous actions we have taken to improve the department were not visible in the figures for the period studied because of rising rates, large negative carry, increased number of transactions and overall increase in the level of activity within the department. Also, many of these actions were introduced after the period studied.

3. Our study indicates a very definite correlation between the size of our commercial paper inventory and our ability to be competitive on rates to issuers. As the department functions near the inventory ceiling our ability to be competitive decreases.

4. This study clearly indicated there is an effect on the profit and loss statement depending upon the selected client mix. We were able to identify a client mix where the department could maximize profits and found as we added issuers to the one hundred largest accounts, incremental costs exceeded incremental income, and profits declined. We found even with increased spreads for smaller, less marketable issuers, the added income was insufficient to offset the costs of servicing these accounts.

5. This study convinced us that by having a more selective client mix, the carrying of inventory positions would be virtually unnecessary. We feel the larger commercial paper issuers would be able to obtain demand lines from their banks to cushion runoffs of maturities should Goldman, Sachs & Co. be unable to meet their requirements on a particular day. The concept of a large inventory is out of date and is the prime cause for our being noncompetitive as well as our decline in net profits.

6. This study shows that if we continue to handle 300 or more issuers under existing conditions, Goldman, Sachs & Co. must be prepared to (1) raise its inventory ceiling, and (2) hire more salesmen, buyers and back-office personnel. If these steps are not taken we will become noncompetitive and will lose some of our large issuing accounts. By incurring these increased costs for the purpose of servicing all existing issuers, the Department's profits can be expected to decline.

RECOMMENDATIONS

Model B is the most appealing alternative to the Commercial Paper Department. This involves servicing our 100 largest issuers. We estimate that if we had been operating under the conditions of Model B during the period studied, we would have achieved a net profit of $2,245,000. During this period we actually incurred a loss of $900,000. Model B-1 assumes a 25% increase in outstandings for these 100 largest issuers and is a realistic profile of the present outstandings for these issuers. Model B-1 would produce an estimated net profit of $2,744,000. These hundred names account for approximately 84% of our outstandings. Model B is appealing to us because we would (1) maximize profits, (2) carry virtually no inventory, (3) be competitive on our buying rates, (4) meet the requirements of the hundred issuers, and (5) reduce the overall costs of the department.

However, we recommend the adoption of Model C rather than Model B. We recommend Model C because of the realization that Commercial Paper is not an isolated department, but an integral part of the overall Goldman, Sachs & Co. team. By recommending Model C we have struck a balance between maximizing profits and handling the commercial paper of an additional 39 companies which produced income for other departments at Goldman, Sachs & Co. These additional 39 issuers will necessitate carrying some inventory but we would achieve most of the advantages mentioned above for Models B and B-1.

We further recommend that we adopt the following guidelines for soliciting commercial paper issuers.

1. Soliciting companies of sound credit with a net worth in excess of $100 million which have the potential of keeping outstanding $10 million or more on an annual basis.

2. Soliciting the companies now issuing through our competitors which meet the requirements of No. 1.

3. Providing commercial paper service for those companies which do not qualify in No. 1. or No. 2 where Goldman, Sachs & Co. has established or is about to establish an investment banking relationship, or where Goldman, Sachs & Co. has generated income in some other department.

In recommending Model C we do not contemplate limiting to 139 the number of issuers we would service, but would continue to add new qualified accounts.

We recommend a committee be formed to study the feasibility of the Note & Discount Department reporting to the Commercial Paper Department.

CONCLUSIONS

Below are the specific conclusions we reached with regard to the models:

1. Model A was unattractive because it was less profitable than Models B and C. Also, we felt 50 issuers provided us with too narrow and unstable a base in outstandings and profits.

2. Model D was unattractive because it was less profitable than Models A, B, and C. If we had selected Models D-2 or D-3 we would be faced with the associated disadvantages of carrying inventory.

3. Model E was unattractive because of the low level of profits and because we would be faced with the previously explained disadvantages relating to carrying inventory.

4. We gave serious considerations to recommending Model F or sub-models F. We finally concluded they were unattractive for the following reasons:

a. The losses under Models F, F-1 and F-2 were unacceptable.

b. Operating with a $250 million or larger inventory would not permit us to be competitive nor as profitable as under the conditions that would exist with a selective client mix.

c. We realized that we could not operate with 299 issuers on a "tap" issue basis and backup demand lines without incurring substantially increased costs for more personnel and a new communication system.

d. Under Model F-3 we seriously doubt if 144 smaller issuers would pay a $20,000 fee in lieu of a spread for our handling their commercial paper.

SUMMARY

This study afforded the Commercial Paper Department an opportunity to determine the role Goldman, Sachs & Co. chooses to play in the commercial paper market in the years ahead. Our objectives for the 1970's are to improve our competitiveness with both issuers and investors, increase profits, assist in new business development, operate as a dealer with virtually no inventory, fulfill issuers' requirements as needed, control our spiraling costs and continually seek new ways to improve the efficiency of our systems and procedures. We have developed a new strategy to meet these objectives. The three fundamental concepts of the new strategy are (1) a select client mix, (2) marketing on a "tap" issue basis, and (3) issuer access to demand borrowing at their banks. Adoption and implementation of Model C best meets these objectives.

In this report we did not feel we should prepare a plan of action to put Model C into effect. We know it will require careful study, issuer by issuer, and the full cooperation of the partnership.

Ex. PX-101: Memorandum from Underhill to Saunders dated February 6, 1970 with four-page attachment

1785 a

PX-147

February 6, 1970

PERSONAL AND CONFIDENTIAL

Mr. Saunders:

The attached is for use at your meeting on Monday, February 9, 1970. Included are projections for the First Quarter 1970.

A. M. Underhill

cc: Messrs. Gorman
Bevan
Flannery
Large
O'Herron
Cole
Hill

Penn C. Rwy.

First Quarter Earnings

Dollars in Thousands

		1970			Variance From	
		2/9/70 Forecast	Financial Plan -a)	1969	Fin'l.Plan (Unfavorable)	'69
1	Consolidated Results					
2	Net Earnings of Subsidiaries (Exh. I)	$ 19,832	$ 20,752	$ 30,567	$ (920)	$ (10,735)
3	Reported Net Earnings of P.C.T.Co.	(78,403)	(59,276)	(10,964)	(19,127)	(67,439)
4	Less: Sub.Dividends to P.C.T. Co.	8,635	8,695	14,802	60	6,167
5	Consolidated Earnings Reported	$ (67,206)	$ (47,219)	$ 4,801	$ (19,987)	$ (72,007)
6	Per Share	$ (2.79)	$ (1.96)	$ .20	$ (.83)	$ (2.99)
7	Penn Central Transportation Co.					
8	Railroad Operations:					
9	Operating Revenues (Exh. II)	$ 407,900	$ 421,500	$ 418,459	$ (13,600)	$ (10,559)
0	Operating Costs (Exh. III)	474,172	469,938	430,993	(4,234)	(43,179)
1	Operating Income	(66,272)	(48,438)	(12,534)	(17,834)	(53,738)
2	Other Charges-Net	38,076	36,675	28,571	(1,401)	(9,505)
3	Total Railroad Earnings	(104,348)	(85,113)	(41,105)	(19,235)	(63,243)
4	Other Operations:					
5	Real Estate Profits					
6	From Sales-Proceeds	2,257	2,628	1,736	(371)	521
7	-Costs	352	360	456	8	104
8	-Net	1,905	2,268	1,280	(363)	625
9	From Hotels-Revenues	4,166	4,146	2,764	20	1,402
0	-Expense	361	361	298	-	(63)
1	-Net	3,805	3,785	2,466	20	1,339
2	From Other Oper.-Revenues	4,847	4,825	5,403	22	(556)
3	-Expense	411	411	322	-	(89)
4	-Net	4,436	4,414	5,081	22	(645)
5	Total Real Estate	10,146	10,467	8,827	(321)	1,319
6	Financial Income					
7	From Subsidiaries					
8	Dividends to P.C.T. Co.	8,635	8,695	14,802	(60)	(6,167)
9	Tax Payments to P.C.T. Co.	5,256	5,256	4,240	-	1,016
0	Total From Subsidiaries	13,891	13,951	19,042	(60)	(5,151)
1	Other Dividends & Interest	1,530	1,064	1,086	466	444
2	Securities Transactions	378	355	1,186	23	(808)
3	Total Financial Income	15,799	15,370	21,314	429	(5,515)
4	Total Other Operations	25,945	25,837	30,141	108	(4,196)
5	TOTAL NET EARNINGS FOR COMPANY	$ (78,403)	$ (59,276)	$ (10,964)	$ (19,127)	$ (67,439)

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PENN CENTRAL COMPANY

CONSOLIDATED NET EARNINGS

First Quarter

Dollars in Thousands

		1970				Variance From	
		2/9/70 Forecast	Financial Plan -a)	1969		Finc'l.Plan (Unfavorable)	1969
	SUBSIDIARIES						
	R.R. Operating Co's.	$ (46)	$ (18)	$ 12		$ (28)	$ (58)
1	Ann Arbor Railroad Co.	914	1,030	2,310	✓	(116)	(1,396)
2	D.T. & I. R.R. Co.	515	(189)	(131)		704	646
3	Ind. Har. Belt R.R. Co.	(1,255)	(1,255)	(1,055)	✓	-	(200)
4	P.-R.S.L.	1,666	2,332	2,365	✓	(666)	(699)
5	P.& L.E. R.R. Co.	(598)	(598)	(28)		-	(570)
6	Other Operating R.R.'s.						
	R.R. Leasing Co's.	4,235	4,235	3,524		-	711
7	Lessor Railroads	677	677	480		-	197
8	Equip. Leasing Co's.	210	366	1,203	✓	(156)	(993)
9	Trucking Companies	4,119	3,131	3,812		988	307
10	Buckeye Pipe Line Co.						
	Real Estate & Other Co's.	1,126	1,126	416		-	710
11	Arvida Corporation	5,900	5,900	5,465	✓	-	435
12	Great Southwest Corp.	10,302	10,747	12,876	✓	(445)	(2,574)
13	Pennsylvania Company	(575)	(575)	208		-	(783)
14	Other Companies	27,190	26,909	31,457		281	(4,267)
15	TOTAL EARNINGS REPORTED						
16		4,603	3,694	(1,782)		(909)	(6,385)
17	Less: Inter Co.Divs.& Adj.	2,755	2,463	2,672		(297)	(83)
18	Less: Minority Interest				✓		
19		19,832	20,752	30,567	✓	(920)	(10,735)
20	NET EARNINGS OF SUBSIDIARIES	8,635	8,695	14,802	✓	60	6,167
21	Less: Divs. to Penn Central						
22	SUBSIDIARIES - UNDISTRIBUTED EARNINGS	$ 11,197	$ 12,057	$ 15,765		$ (860)	$ (4,568)

Great Southwest earnings are before provision for Federal Income Tax.

(a- Preliminary

C.B.A. - 2/6/70

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First Quarter

OPERATING REVENUES

	Dollars in Thousands	1970 2/9/70 Forecast	1970 Financial Plan -a)	1969		Variance From Financial Plan	Variance From 1969
1	Operating Revenues						
2	Freight	$ 50,900	$ 54,200	$ 51,002		$ (3,300)	$ (102)
3	Coal	8,900	8,800	8,579		100	321
4	Ore	30,000	30,100	29,292		(100)	708
5	TrailVan	13,500	15,100	15,418		(1,600)	(1,918)
6	Motor Vehicles	21,200	23,300	24,560		(2,100)	(3,360)
7	Motor Vehicle Parts	43,900	45,300	45,298		(1,400)	(1,398)
8	Iron & Steel						
9	Other (Incl. Absorb.	171,125	174,800	172,752		(3,675)	(1,627)
10	Switch, etc.)	339,525	351,600	346,901		(12,075)	(7,376)
11	Total Freight	35,600	36,200	35,639		(600)	(39)
12	Passenger	12,975	13,000	14,872		(25)	(1,897)
13	Mail	500	900	1,265		(400)	(765)
14	Express	19,300	19,800	19,782		(500)	(482)
15	All Other						
16	Total Operating Revenues	$ 407,900	$ 421,500	$ 418,459		$ (13,600)	$ (10,559)

NET TON MILES

17	Net Ton Miles (In Millions)						
18	Coal	4,815	5,125	5,074		(310)	(259)
19	Ore	957	950	996		7	(39)
20	TrailVan	1,443	1,450	1,357		(7)	86
21	Motor Vehicles	351	390	422		(39)	(71)
22	Motor Vehicle Parts	573	630	670		(57)	(97)
23	Iron & Steel	2,130	2,200	2,283		(70)	(153)
24	Other	10,390	10,625	10,312		(235)	78
25	Total Net Ton Miles	20,659	21,370	21,114		(711)	(455)

a- Preliminary

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Exhibit III

PENN CENTRAL TRANSPORTATION COMPANY

Operating Costs

First Quarter

Dollars in Thousands

		1970		1969		Variance From Finc'l. Plan (Unfavorable)	Variance From 1969 (Unfavorable)
		2/9/70 Forecast	Financial Plan -a)				
1	System Operations						
2	Executive Offices	$ 1,345	$ 1,357	$ 1,115		$ 12	$ (230)
3	Finance	8,410	8,237	7,952		(73)	(458)
4	Corporate Admin.	242	215	200		(27)	(42)
5	Mgmt. Plan.& Devel.	146	164	123		18	(23)
6	Public Rel. & Adv.	614	761	995		147	381
7	Research	321	317	323		(4)	2
8	Public Affairs	215	197	186		(18)	(29)
9	Traffic	5,116	4,963	4,950		(153)	(166)
10	Traffic-Coal & Ore	384	387	380		3	(4)
11	Legal Department	1,898	1,921	1,952		23	54
12	Systems Development	6,620	6,797	6,440		177	(180)
13	Labor Rel. & Persnl.	815	943	840		128	25
14	Secretary	260	340	425		80	165
15	Ind. Devel. & R.E.	906	964	854		58	(52)
16	Mat'l. & Purchases	2,734	2,659	2,313		(75)	(421)
17	Total System Offices	30,026	30,322	29,048		296	(978)
18	Operations Department						
19	Administration	17,775	19,310	15,980		1,535	(1,795)
20	Stations	22,437	22,882	21,512		445	(925)
21	Transportation	247,364	239,962	235,076		(7,402)	(12,288)
22	Maint. of Equip.	97,223	97,906	90,346		683	(6,877)
23	Maint. of Way & Struct	56,184	56,393	54,559		209	(1,625)
24	Sub-Total	440,983	436,453	417,473		(4,530)	(23,510)
25	Car Utilization (PD 3)	cr 73,799	cr 73,799	cr 73,799		-	-
26	Total Operations	367,184	362,654	343,674		(4,530)	(23,510)
27	Selected TrailVan Exp.	13,475	13,475	12,104		-	(1,371)
28	Equipment Rents	42,602	42,602	46,114		-	3,512
29	State,Local & FIT Taxes	17,181	17,181	12,574		-	(4,607)
30	Corporate Adjustments	3,704	3,704	cr 12,321		-	(16,025)
31	Total Operating Costs	$ 474,172	$ 469,938	$ 431,193		$ (4,234)	$ (42,979)

- Preliminary

1789a

Ex. PX-102: Memorandum from Underhill to Saunders dated February 19, 1970 with four-page attachment

1790 a

Mr. Saunders

February 19, 1970

PERSONAL AND CONFIDENTIAL

Mr. Saunders:

The attached is for use at your meeting on Monday, February 23, 1970. Included are projections for the First Quarter 1970.

A. M. Underhill

cc: Messrs. Gorman
Bevan
Flannery
Large
O'Herron
Cole
Hill

llars in Thousands — First Quarter rnings — ( ) = Unfavorable

	1970			Variance From		
	2/23/70 Forecast	Financial Plan	1969	2/9/70 Forecast	Financial Plan	1969
1 CONSOLIDATED RESULTS						
2 Net Earnings of Subsidiaries (Exh. I)	$ 20,682	$ 20,752	$ 30,567	$ 850	$ (70)	$ (9,885)
3 Reported Net Earnings of P.C.T.Co.	(83,833)	(59,276)	(11,164)	(5,430)	(24,557)	(72,669)
4 Less: Sub.Dividends to P.C.T. Co.	8,635	8,695	14,802	-	60	(6,167)
5 Consolidated Earnings Reported	(71,786)	(47,219)	4,601	(4,580)	(24,567)	(76,387)
6 Consolidated Earnings Per Share	(2.98)	(1.96)	.19	(.19)	(1.02)	(3.17)
7 PENN CENTRAL TRANSPORTATION COMPANY						
8 Railroad Operations:						
9 Operating Revenues (Exh. II)	405,425	421,500	418,459	(2,475)	(16,075)	(13,034)
10 Operating Costs (Exh. III)	477,260	469,938	431,193	(3,088)	(7,322)	(46,067)
11 Operating Income	(71,835)	(48,438)	(12,734)	(5,563)	(23,397)	(59,101)
12 Other Charges-Net	37,549	36,269	28,571	121	(1,280)	(8,978)
13 Total Railroad Earnings	(109,384)	(84,707)	(41,305)	(5,442)	(24,677)	(68,079)
14 Other Operations:						
15 Real Estate Profits						
16 From Sales-Proceeds	2,257	2,628	1,736	-	(371)	521
17 -Costs	326	360	456	26	34	130
18 -Net	1,931	2,268	1,280	26	(337)	651
19 From Hotels-Revenues	4,166	4,146	2,764	-	20	1,402
20 -Expense	564	564	298	-	-	(266)
21 -Net	3,602	3,582	2,466	-	20	1,136
22 From Other Oper.-Revenues	4,847	4,825	5,403	-	22	(556)
23 -Expense	614	614	322	-	-	(292)
24 -Net	4,233	4,211	5,081	-	22	(848)
25 Total Real Estate	9,766	10,061	8,827	26	(295)	939
26 Financial Income						
27 From Subsidiaries						
28 Dividends to P.C.T. Co.	8,635	8,695	14,802	-	(60)	(6,167)
29 Tax Payments to P.C.T. Co.	5,256	5,256	4,240	-	-	1,016
30 Total From Subsidiaries	13,891	13,951	19,042	-	(60)	(5,151)
31 Other Dividends & Interest	1,516	1,064	1,086	(14)	452	430
32 Securities Transactions	378	355	1,186	-	23	(808)
33 Total Financial Income	15,785	15,370	21,314	(14)	415	(5,529)
34 Total Other Operations	25,551	25,431	30,141	12	120	(5,590)
35 TOTAL NET EARNINGS - P.C.T. Co.	(83,833)	(59,276)	(11,164)	(5,430)	(24,557)	(72,669)
36 Earnings Per Share-P.C.T. Co.	$ (3.48)	$ (2.46)	$ (.46)	$ (.23)	$ (1.02)	$ (3.02)

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Dollars in ...ousands

First Quarter ...rnings

( ) = Unfavorable

		1970			Variance From		
		2/23/70 Forecast	Financial Plan	1969	2/9/70 Forecast	Financial Plan	1969
1	CONSOLIDATED RESULTS						
2	Net Earnings of Subsidiaries (Exh. I)	$ 20,682	$ 20,752	$ 30,567	$ 850	$ (70)	$ (9,885)
3	Reported Net Earnings of P.C.T.Co.	(83,833)	(59,276)	(11,164)	(5,430)	(24,557)	(72,669)
4	Less: Sub.Dividends to P.C.T. Co.	8,635	8,695	14,802	-	60	6,167
5	Consolidated Earnings Reported	(71,786)	(47,219)	4,601	(4,580)	(24,567)	(76,387)
6	Consolidated Earnings Per Share	(2.98)	(1.96)	.19	(.19)	(1.02)	(3.17)
7	PENN CENTRAL TRANSPORTATION COMPANY						
8	Railroad Operations:						
9	Operating Revenues (Exh. II)	405,425	421,500	418,459	(2,475)	(16,075)	(13,034)
10	Operating Costs (Exh. III)	477,260	469,938	431,193	(3,088)	(7,322)	(46,067)
11	Operating Income	(71,835)	(48,438)	(12,734)	(5,563)	(23,397)	(59,101)
12	Other Charges-Net	37,549	36,269	28,571	121	(1,280)	(8,978)
13	Total Railroad Earnings	(109,384)	(84,707)	(41,305)	(5,442)	(24,677)	(68,079)
14	Other Operations:						
15	Real Estate Profits						
16	From Sales-Proceeds	2,257	2,628	1,736	-	(371)	521
17	-Costs	326	360	456	26	34	130
18	-Net	1,931	2,268	1,280	26	(337)	651
19	From Hotels-Revenues	4,166	4,146	2,764	-	20	1,402
20	-Expense	564	564	298	-	-	(266)
21	-Net	3,602	3,582	2,466	-	20	136
22	From Other Oper.-Revenues	4,847	4,825	5,403	-	22	(556)
23	-Expense	614	614	322	-	-	(292)
24	-Net	4,233	4,211	5,081	-	22	(848)
25	Total Real Estate	9,766	10,061	8,827	26	(295)	939
26	Financial Income						
27	From Subsidiaries						
28	Dividends to P.C.T. Co.	8,635	8,695	14,802	-	(60)	(6,167)
29	Tax Payments to P.C.T. Co.	5,256	5,256	4,240	-	-	1,016
30	Total From Subsidiaries	13,891	13,951	19,042	-	(60)	(5,151)
31	Other Dividends & Interest	1,516	1,064	1,086	(14)	452	430
32	Securities Transactions	378	355	1,186	-	23	(808)
33	Total Financial Income	15,785	15,370	21,314	(14)	415	(5,529)
34	Total Other Operations	25,551	25,431	30,141	12	120	(4,590)
35	TOTAL NET EARNINGS - P.C.T. Co.	(83,833)	(59,276)	(11,164)	(5,430)	(24,557)	(72,669)
36	Earnings Per Share-P.C.T. Co.	$ (3.46)	$ (2.46)	$ (.46)	$ (.23)	$ (1.02)	$ (3.00)

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PENN CENTRAL TRANSPORTATION COMPANY

EXHIBIT 14

First arter

( ) = Unfavorable

OPERATING REVENUES

	Dollars in Thousands	1970 2/23/70 Forecast	1970 Financial Plan -a)	1969	Variance From 2/9/70 Forecast	Variance From Financial Plan	Variance From 1969
1	Operating Revenues						
2	Freight						
3	Coal	$ 50,404	$ 54,200	$ 51,002	$ (496)	$ (3,796)	$ 598
4	Ore	8,481	8,800	8,579	(419)	(319)	(98)
5	TrailVan	29,751	30,100	29,292	(249)	(349)	459
6	Motor Vehicles	13,227	15,100	15,418	(273)	(1,873)	(2,191)
7	Motor Vehicle Parts	20,560	23,300	24,560	(640)	(2,740)	(4,000)
8	Iron & Steel	43,108	45,300	45,298	(792)	(2,192)	(2,190)
9	Other (Incl. Absorb.						
10	Switch, etc.)	171,996	174,800	172,752	871	(2,804)	756
11	Total Freight	337,527	351,600	346,901	(1,998)	(14,073)	(9,374)
12	Passenger	35,378	36,200	35,639	(222)	(822)	(261)
13	Mail	12,626	13,000	14,872	(349)	(374)	(2,246)
14	Express	498	900	1,265	(2)	(402)	(767)
15	All Other	19,396	19,800	19,782	96	(404)	(386)
16	Total Operating Revenues	$ 405,425	$ 421,500	$ 418,459	$ (2,475)	$ (16,075)	$ (13,034)

NET TON MILES

17	Net Ton Miles (In Millions)						
18	Coal	4,817	5,125	5,074	2	(308)	[illegible]
19	Ore	913	950	996	(44)	(37)	
20	TrailVan	1,430	1,450	1,357	(13)	(20)	
21	Motor Vehicles	348	390	422	(3)	(42)	Comparable
22	Motor Vehicle Parts	562	630	670	(11)	(68)	
23	Iron & Steel	2,115	2,200	2,283	(15)	(85)	
24	Other	10,418	10,625	10,312	28	(207)	
25	Total Net Ton Miles	20,603	21,370	21,114	(56)	(767)	

- Preliminary

rector-Budgetary Administration

bruary 19, 1970

17930

Operating Costs
First Quarter

llars in Thousands

		1970			Variance From (Unfavorable)		
		2/23/70 Forecast	Financial Plan -a)	1969	2/9/70 Forecast	Financial Plan	1969
1	System Operations						
2	Executive Offices	$ 789	$ 833	$ 608	$ 24	$ 44	$ (181)
3	Finance	8,218	8,354	7,970	210	136	(248)
4	Corporate Admin.	208	215	200	34	7	(8)
5	Mgmt. Plan.& Devel.	141	164	123	5	23	(18)
6	Public Rel. & Adv.	646	790	1,025	(2)	144	379
7	Research	341	345	353	10	4	12
8	Public Affairs	213	209	198	14	(4)	(15)
9	Traffic	5,077	4,963	4,950	39	(114)	(127)
10	Traffic-Coal & Ore	378	387	380	6	9	2
11	Legal Department	1,896	1,948	1,979	29	52	83
12	Systems Development	6,661	6,853	6,497	16	192	(164)
13	Labor Rel. & Persnl.	812	943	840	3	131	28
14	Secretary	254	340	425	6	86	171
15	Ind. Devel. & R.E.	913	964	854	(7)	51	(59)
16	Mat'l. & Purchases	3,116	2,659	2,313	(382)	(457)	(803)
17	Cost and Services	226	222	201	-	(4)	(25)
18	Total System Operations	29,889	30,189	28,916	5	300	(973)
19	Operations Department						
20	Administration	16,736	19,443	16,112	1,171	2,707	(634)
21	Stations	22,020	22,882	21,512	407	852	(513)
22	Transportation	247,997	239,962	235,076	(633)	(8,035)	(12,921)
23	Maint. of Equipt.	97,746	97,906	90,346	(523)	160	(7,400)
24	Maint. of Way	57,845	56,393	54,559	(1,661)	(1,452)	(3,286)
25	Sub-Total	442,354	436,586	417,605	(1,239)	(5,768)	(24,749)
26	Car Utilization (PD 3)	cr 72,625	cr 73,799	cr 73,799	(1,174)	(1,174)	(1,174)
27	Total Operations	369,729	362,787	343,806	(2,413)	(6,942)	(25,923)
28	TrailVan Expenses	14,325	13,475	12,104	(850)	(850)	(2,221)
29	Equipment Rents	42,476	42,602	46,114	126	126	3,638
30	State,Local & FIT Taxes	17,181	17,181	12,574	-	-	(4,607)
31	Corporate Adjustments	3,660	3,704	cr 12,321	44	44	(15,981)
32	Total Operating Costs	$ 477,260	$ 469,938	$ 431,193	$ (3,088)	$ (7,322)	$ (46,067)

(a- Preliminary
Director-Budgetary Administration
February 19, 1970

1794a

Ex. PX-103: Memorandum from Underhill to Saunders dated March 6, 1970 with four-page attachment

1795 a

March 6, 1970

PERSONAL AND CONFIDENTIAL

Mr. Saunders:

The attached is for use at your meeting on Monday, March 9, 1970. Included are projections for the First Quarter 1970.

A. M. Underhill

cc: Messrs. Gorman
Bevan
Flannery
Large
O'Herron
Cole
Hill

PENN CENTRAL COMPANY

FIRST QUARTER 1970

3/9/70 Forecast

Dollars in Thousands

( ) - Unfavorable

	CONSOLIDATED RESULTS	1970 3/9/70 Forecast	1970 Financial Plan	1969 Actual	Variance From 2/23/70 Forecast	Variance From Financial Plan	Variance From 1969
1	Net Earnings of Subsidiaries (Exh. III)	$ 20,345	$ 21,078	$ 30,567	$ (345)	$ (733)	$ (10,222)
2	Reported Ordinary Earnings of P.C.T.	(86,268)	(49,198)	(11,164)	(2,435)	(37,070)	(75,104)
3	Less: Sub Dividends to P.C.T.	8,643	8,704	14,802	-	61	6,159
4	CONSOLIDATED ORDINARY EARNINGS	(74,566)	(36,824)	4,601	(2,780)	(37,742)	(79,167)
5	Per Share	$ (3.09)	$ (1.52)	$ .19	$ (.11)	$ (1.57)	$ (3.28)
	PENN CENTRAL TRANSPORTATION CO.						
	RAILROAD OPERATIONS						
6	Operating Revenues (Exh. I)	$ 404,750	$ 423,750	$ 418,459	$ (675)	$ (19,000)	$ (13,709)
7	Operating Costs (Exh. II)	477,050	460,847	431,193	210	(16,203)	(45,857)
8	Operating Income	(72,300)	(37,097)	(12,734)	(465)	(35,203)	(59,566)
9	Other Charges - Net	37,191	37,234	27,673	(1)	43	(9,518)
10	Total Rail Earnings	(109,491)	(74,331)	(40,407)	(466)	(35,160)	(69,084)
	OTHER OPERATIONS						
	REAL ESTATE PROFITS -						
11	From Sales - Proceeds	720	2,304	1,540	(1,537)	(1,584)	(820)
12	- Costs	123	374	260	203	251	137
13	- Net	597	1,930	1,280	(1,334)	(1,333)	(683)
14	From Hotels - Revenues	5,288	5,288	2,764	-	-	2,524
15	- Expenses	363	363	298	-	-	(65)
16	- Net	4,925	4,925	2,466	-	-	2,459
17	From Other Operations - Revenues	3,716	3,607	6,174	-	109	(2,458)
18	- Expenses	806	806	1,093	-	-	287
19	- Net	2,910	2,801	5,081	-	109	(2,171)
20	Total Real Estate	8,432	9,656	8,827	(1,334)	(1,224)	(395)
	FINANCIAL INCOME						
	From Subsidiaries -						
21	Dividends to P.C.T.	8,643	8,704	14,802	-	(61)	(6,159)
22	Tax Payments to P.C.T.	4,620	5,256	4,240	(636)	(636)	380
23	Total from Subsidiaries	13,263	13,960	19,042	(636)	(697)	(5,779)
24	Other Dividends & Interest	1,509	1,517	1,086	1	(8)	423
25	Securities Transactions	19	-	288	-	19	(269)
26	Total Financial Income	14,791	15,477	20,416	(635)	(686)	(5,625)
27	TOTAL OTHER OPERATIONS	23,223	25,133	29,243	(1,969)	(1,910)	(6,020)
28	TOTAL NET ORDINARY EARNINGS FOR COMPANY	$ (86,268)	$ (49,198)	$ (11,164)	$ (2,435)	$ (37,070)	$ (75,104)
29	Per Share	$ (3.58)	$ (2.04)	$ (.46)	$ (.10)	$ (1.54)	$ (3.12)

1796a

First Quarter 1970

EXHIBIT

OPERATING REVENUES

	Dollars in Thousands	3/9/70 Forecast	Financial Plan	1969	Variance From 2/23/70 Forecast	Variance From Financial Plan	Variance From 1969
1	Operating Revenues						
2	Freight						
3	Coal	$ 50,333	$ 53,800	$ 51,002	$ (71)	$ (3,467)	$
4	Ore	8,042	8,800	8,579	(439)	(758)	
5	TrailVan	31,460	31,100	29,292	1,709	360	2,
6	Motor Vehicles	13,620	15,100	15,418	393	(1,480)	(1,
7	Motor Vehicle Parts	21,063	23,000	24,560	503	(1,937)	(3,
8	Iron & Steel	44,713	45,000	45,298	1,605	(287)	(
9	Other (Incl. Absorb.						
10	Switch, etc.)	168,721	176,100	172,752	(3,275)	(7,379)	(4,
11	Total Freight	337,952	352,900	346,901	425	(14,948)	(
12	Passenger	34,878	36,600	35,639	(500)	(1,722)	(
13	Mail	11,776	12,450	14,872	(850)	(674)	(3,
14	Express	498	900	1,265	-	(402)	(
15	All Other	19,646	20,900	19,782	250	(1,254)	(
16	Total Operating Revenues	$ 404,750	$ 423,750	$ 418,459	$ (675)	$ (19,000)	$

NET TON MILES

17	Net Ton Miles (000,000)						
18	Coal	4,762	5,090	5,074	(55)	(328)	
19	Ore	873	950	996	(40)	(77)	
20	TrailVan	1,435	1,420	1,357	5	15	
21	Motor Vehicles	348	385	422	-	(37)	
22	Motor Vehicle Parts	542	590	670	(20)	(48)	
23	Iron & Steel	2,080	2,095	2,283	(35)	(15)	
24	Other	10,473	10,440	10,312	55	33	
25	Total Net Ton Miles	20,513	20,970	21,114	(90)	(457)	

1797a

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PENN CENTRAL TRANSPORTATION COMPANY

Operating Costs

First Quarter

Dollars in Thousands

		1970			Variance From (Unfavorable)		
		3/9/70 Forecast	Financial Plan	1969	2/23/70 Forecast	Financial Plan	1969
1	System Operation						
2	Executive Offices	$ 800	$ 861	$ 608	$ (11)	$ 61	(192)
3	Finance	8,047	8,385	7,970	171	338	(77)
4	Corporate Admin.	206	238	200	2	32	(6)
5	Mgmt. Plan.& Devel.	136	143	123	5	7	(13)
6	Public Rel. & Adv.	663	732	1,025	(17)	69	362
7	Research	336	362	353	5	26	17
8	Public Affairs	213	215	198	-	2	(15)
9	Traffic	4,965	4,942	4,950	112	(23)	(15)
10	Traffic-Coal & Ore	378	384	380	-	6	2
11	Legal Department	1,897	1,926	1,979	(1)	29	82
12	Systems Development	6,607	6,918	6,497	54	311	(110)
13	Labor Rel. & Persnl.	797	815	840	15	18	43
14	Secretary	256	354	425	(2)	98	169
15	Ind. Devel. & R.E.	913	913	854	-	-	(59)
16	Mat'l. & Purchases	3,282	2,705	2,313	(166)	(577)	(969)
17	Cost and Services	215	219	201	11	4	(14)
18	Total System Operations	29,711	30,112	28,916	178	401	(795)
19	Operations Department						
20	Administration	18,081	17,674	16,112	(1,345)	(1,562)	(1,969)
21	Stations	21,823	22,284	21,512	207	461	(311)
22	Transportation	248,450	242,626	235,076	(453)	(5,824)	(13,374)
23	Maint. of Equipt.	98,238	94,728	90,346	(492)	(3,510)	(7,892)
24	Maint. of Way	57,545	53,876	54,559	300	(3,669)	(2,986)
25	Sub-Total	444,137	431,188	417,605	(1,783)	(12,949)	(26,532)
26	Car Utilization (PD 3)	cr 74,611	cr 75,814	cr 73,799	1,986	(1,203)	812
27	Total Operations	369,526	355,374	343,806	203	(14,152)	(25,720)
28	TrailVan Expenses	14,325	12,240	12,104	-	(2,085)	(2,221)
29	Equipment Rents	42,476	42,237	46,114	(239)	(239)	3,638
30	State,Local & FIT Taxes	17,352	17,180	12,574	(171)	(172)	(4,778)
31	Corporate Adjustments	3,660	3,704	cr 12,321	-	44	(15,981)
		$ [illegible]	$ 460,847	$ 431,193	$ 210	$ (16,2[illegible])	$ (45,057)

1798a

Ex. PX-106: Memorandum entitled "Borrowing from Banks" dated February 9, 1970 by Loder

1799a

February 9, 1970

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Subject: Borrowing from Banks

On Friday afternoon, I talked to Pat Bowditch about the proposed borrowing of $50 million by Pennsylvania Company from banks. He said that he had talked to six or seven other banks and that there was a general expression of concern about evaporation of value in Pennsylvania Company stock as collateral for the Revolving Credit Agreement by reason of the recent issuance of debt by Pennsylvania Company in the amount of $85,000,000 and the proposed issues as well as a question of the value being received by Pennsylvania Company from Penn Central Transportation Company in connection with Pennsylvania Company passing the proceeds of the borrowings up stream to Penn Central Transportation Company.

To meet this problem, Pat thought there should be more stringent restrictions on debt of Pennsylvania Company than the one now in effect in the Debentures, i.e., that net tangible assets must be at least 300% of total funded debt. He believed there should be some dollar limit such as $250,000,000 or in lieu of this there be a transfer of part of the obligation for the revolving credit borrowing from Penn Central Transportation Company to Pennsylvania Company.

Pat was also worried about the fact that there is $60,400,000 of bank debt ($50,000,000 Eurodollar and $30,400,000 of 1965 borrowing) which is unsecured. He suggested this debt should be backed by fresh collateral or by a second lien on the collateral covered by clauses of the Revolving Credit Agreement.

In addition to the above, Pat requested a number of changes in provisions of the Revolving Credit Agreement. These were (1) certain changes in provisions of Section 3.02 which restricts incurring other debt, (2) addition of a provision that if a blanket mortgage is created proceeds of issuance of bonds thereunder will be used to repay borrowings under Revolving Credit and reduce commitment, (3) adding to "unencumbered" assets in 3.02(d), assets previously encumbered, (4) limit acquisition of property by Penndel, P&LE, or Ft. Wayne to that which has not more than 66-2/3% debt on it; (5) prohibiting any future loans or advances from Ft. Wayne, Penndel or P&LE to Penn Central Transportation Company.

Further Pat recommended obtaining the following covenants from Penn Central Transportation Company on a consolidated basis: (1) not to incur further indebtedness in excess of $165 million except (a) for equipment debt, which will not be incurred in an amount annually to exceed $100 million noncumulative and (b) [illegible]

would be limited to $61 million annually and $600 million in total for Penn Central Transportation Company and $44 million annually and $480 million in total for other companies in the consolidated accounts. (2) Pennsylvania Company not to further encumber, sell, reserve for conversion or otherwise dispose of securities now or hereafter owned by it except for a maximum of $50 million market value of Great Southwest Corporation common stock. (3) All loans to Penn Central Transportation Company from subsidiaries to be subordinated to the Revolving Credit borrowings, $50 million Eurodollar loan and $30.4 million 1965 loan.

Finally Pat thought it necessary to have a covenant from Penn Central Company and subsidiaries on a consolidated basis to prevent current liabilities and long term debt from exceeding 1.25 times stockholders' equity.

It was suggested that the $50 million new loan would carry the Eurodollar best interest rate and no bank balances or prime rate with 20% bank balances. The right would be reserved by the banks to collateralize the loan at a future time with say Arvida or Great Southwest to the extent of about three times the amount of the loan.

R. W. Loder

Ex. PX-113 id.: Portion of SEC Staff Report

SUBCOMMITTEE PRINT

18018

FINANCIAL COLLAPSE OF PENN CENTRAL COMPANY

STAFF REPORT OF THE SECURITIES AND EXCHANGE COMMISSION

TO THE

SPECIAL SUBCOMMITTEE ON INVESTIGATIONS

Hon. HARLEY O. STAGGERS, *Chairman*

(Pursuant to an H.R. 1278 by Mr. Staggers and [illegible])

AUGUST 1972

Printed for the use of the Committee on Interstate and Foreign Commerce

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PART III

III-A. THE SALE OF PENN CENTRAL TRANSPORTATION CO.'S COMMERCIAL PAPER BY GOLDMAN, SACHS & CO.

Introduction

On July 22, 1968, the Interstate Commerce Commission authorized Penn Central Transportation Co. (the Transportation Co. or the company) to commence selling commercial paper. By late 1969 the Transportation Co. had $200 million in commercial paper outstanding. All sales were effected by Goldman, Sachs & Co. acting as dealer.

During the first half of 1970, the amount of the Transportation Co.'s commercial paper outstanding dropped from $200 million to approximately $82 million. This $82 million in commercial paper was held by 72 customers who had purchased between November of 1969 and May of 1970. As commercial paper is universally believed to be a very low-risk security, these customers were shocked to learn, prior to the maturity date of their paper, that the Transportation Co. had filed a petition in bankruptcy. Penn Central has repaid none of this indebtedness, and there is little likelihood of repayment.[1]

While in this section the focus will be on the role of Goldman, Sachs in selling commercial paper, it should be noted that while the company's paper was being sold, the company and certain of its executives were making false and misleading statements to the public concerning the company's financial condition. These activities are being covered in other portions of the staff report.

Goldman, Sachs continued to sell the Transportation Co.'s commercial paper after they had received information about the financial condition of the Transportation Co. which should have raised serious questions as to the safety of an investment in the company's commercial paper, and Goldman, Sachs did not disclose such information to its customers. The information which Goldman, Sachs received should have put them on notice that a thorough examination of the financial condition of the Transportation Co. would seem appropriate in order that they, and through them, their customers would be apprised of the current position of the Transportation Co. Despite these warning signs, Goldman, Sachs made no meaningful investigation. Such an examination would have disclosed that the financial condition of the company was more serious than had been revealed to the public.

Commercial Paper

CHARACTERISTICS OF COMMERCIAL PAPER

Commercial paper is a corporate, short-term promissory note. It is sold either directly by the issuer (borrower) to the purchaser (lender), or by the issuer to a dealer who resells to the purchaser.

[1] There are suits pending against Goldman, Sachs by almost all of the holders. Of these, $20 million in claims have been settled for $0.20 on the dollar.

81-936—72——19

The most noteworthy factor in the commercial paper market (at least until the Transportation Co. bankruptcy) was the common belief held by purchasers, to a degree not even found among those who invest only in the bluest of blue chip securities, that commercial paper was designed to be entirely riskproof. Because safety of principal so far and away transcended rate considerations, a very large number of purchasers of commercial paper did not shop for rates at all. Most looked upon commercial paper as the equal of U.S. Treasury notes or bank certificates of deposit (CD's) in terms of safety. Because of the short-term nature of the investment (average term is 90 days) it is extremely important that the notes are repaid at maturity and thus the liquidity of the company becomes a matter of vital concern to the customer.

The importance of safety to those who invest in commercial paper becomes apparent in a crisis. In the 30-day period following the Transportation Co. bankruptcy, the runoff in commercial paper is estimated to have reached $3 billion. Only quick action by the Federal Reserve, which had been alerted to the approaching bankruptcy a day or two before, appears to have saved the day. On June 19, 1970, in anticipation of trouble, the Federal Reserve had agreed to let commercial banks borrow freely at its discount window. And on June 23, it voted to change its regulation Q, which limits what banks can pay for deposits, thus allowing them to buy money freely. And the banks borrowed heavily from the Federal Reserve in the weeks that followed—$1.7 billion in just 1 week in mid-July. More than $2 billion in bank money went to aid corporations in paying off maturing commercial paper. This rescue operation not only took some companies out of trouble, it also restored lender confidence in the commercial paper market. What could have blown into a major liquidity crisis vanished almost before it began.

A second most noteworthy factor is that those who purchase commercial paper are loaning funds to corporations which most often they know little about. Furthermore, the purchasers have no control over the use of the proceeds or any other of the borrowers' activities, as a lender normally does.

It is impossible to secure restrictive convenants limiting the commercial paper borrowers' freedom to raise additional debt or governing the use of proceeds. In addition, the purchaser who becomes dissatisfied with the issuer usually has no readily available market to which he can resell his paper before its maturity.[2]

The only information the purchaser can get, and in almost all cases does get, is either through the public media or through the dealer who is selling him the paper. In addition to their dealers' recommendations, most purchasers relied on the ratings given various commercial paper by the National Credit Office (NCO) as a basis for making an investment decision.

The problems of making informed investment decisions about commercial paper were aggravated by the rapid growth of the commercial paper market just prior to the company's bankruptcy on June 21, 1970. Witness the following:

[2] Paper which is purchased directly from the issuer, however, will usually be repurchased by the issuer at the purchaser's request. Some dealers also, subject to market conditions, maintain a limited secondary market in paper they handle.

A. In 1960 there was $4.5 billion in commercial paper outstanding:
On December 31, 1965, $9 billion outstanding;
On December 31, 1967, $16 billion outstanding;
On December 31, 1969, $31.6 billion outstanding; and
On June 30, 1970, $39.9 billion outstanding.

B. In December 1967, NCO was keeping tabs on 227 commercial paper issuers. By April 1, 1970, its list had increased to 615.

Much of the growth was directly related to the monetary squeeze in which U.S. industry found itself at the end of the 1960's. In December 1968, the Federal Reserve Bank imposed a ceiling on CD interest rates. The banks, expectedly, strenuously objected to regulation Q, as it is known, which had the effect of diverting funds from the banking system and into commercial paper and other money market instruments, but the banks themselves were contributing to the increase in commercial paper outstanding. Bank holding companies began to issue commercial paper, and the banks put hundreds of disappointed loan customers in the direction of commercial paper as a cure to corporate liquidity problems.

It appears that commercial paper will remain an important money market instrument. Some of the advantages are that the seller raises short-term cash at less cost than bank borrowings, the investor receives a higher rate of return than is otherwise possible through purchases of other short-term money market instruments, and commercial paper is also relatively easy to sell, as it requires no registration with the SEC. To make it possible for more institutions to issue commercial paper, legislation has been passed in Massachusetts and New York to enable savings banks to put their cash into commercial paper. Like Ohio, several other States have been authorized to purchase commercial paper. Recent legislative moves have authorized the New York State Teacher Pension Fund and the California General Funds to acquire commercial paper. On the other side of the coin, dealers are engaging in promotional activities to show small- and medium-sized companies the advantages of selling commercial paper.

APPLICABILITY OF FEDERAL SECURITIES LAWS TO COMMERCIAL PAPER

The rapid growth of the market for commercial paper has involved its increased use as a substitute for long-term financing. This has made it more important than ever to reconsider the adequacy of Federal securities law with respect to commercial paper. Almost all commercial paper is exempt from registration pursuant to section 3(a)(3) of the Securities Act of 1933.[3] Thus, commercial paper customers have not been furnished with all the current material information that would be required by a registration statement.

In the absence of registration requirements, there are no customary standards requiring dislosure of material information, to the extent the same is disclosed in a statutory prospectus, to purchasers. In many cases the information available to purchasers is limited and out of date. Furthermore, there is no investigation undertaken by the dealer which would even approximate that which is required of an

[3] Under Section 3(a)(3) of the Securities Act of 1933 commercial paper, if used for "current transactions" and having a maturity "not exceeding nine months," is an exempt security. In the case of the Transportation Company's paper, the Section 3(a)(6) exemption would apply to "Any security issued by a common or contract carrier, the issuance of which is subject to the provisions of Section 20a of the Interstate Commerce Act, as amended," without regard to whether it was used for current transactions or whether its maturity was more than nine months.

underwriter of a security offering registered with the Commission pursuant to the 1933 act.

In addition to the exemption from registration under the Securities Act of 1933, commercial paper maturing within 270 days also is exempt from all of the provisions of the Securities Exchange Act of 1934.[4] The sale of commercial paper is covered by the antifraud provisions of the Securities Act of 1933, sections 12 and 17.[5] Moreover, the Investment Advisers Act of 1940, is applicable to commercial paper.

The Market For Commercial Paper

COMMERCIAL PAPER DEALERS

Commercial paper sold through dealers—referred to as dealer paper as opposed to direct paper sold directly from borrower to lender—as of late has constituted approximately 40 percent of the commercial paper market—estimated to be $40 billion. The seven major dealers are: Goldman, Sachs; A. G. Becker & Co.; Lehman Commercial Paper, Inc.; Salomon Brothers; the First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Smith, Inc. and Eastman Dillon, Union Securities.

ESTABLISHING THE COMMERCIAL PAPER RELATIONSHIP

Usually a commercial paper relationship will grow out of one of the aspects of the investment banking relationship that a dealer has with an issuer. Once the issuer decides that it wants to issue commercial paper, the dealer will want to determine whether the issuer is creditworthy, i.e., able to repay the additional debt. The dealer will usually have a credit department or a credit analyst who is charged with the responsibility for making this determination.[6] With some dealers the recommendation of the credit department or analyst can be overridden by a partner or by the head of the commercial paper department. With others, the recommendation is final.

The dealer, having decided that the issuer is creditworthy, will usually then confer with the issuer to determine how much paper to issue based upon how much the issuer wishes to borrow and how much the dealer estimates can be marketed.

Next, the dealer and the issuer enter into an oral agreement whereby the dealer is to be the exclusive dealer to market a specific amount of commercial paper for a specific time. Normally, the dealer will buy from the issuer as principal and reoffer it to the public at a markup of from one-eighth to one-quarter of 1 percent. The dealer agrees to

[4] Under the Securities Exchange Act of 1934 commercial paper is not an "exempted security" as that term is defined in Section 3(a)(12), but is excluded from the definition of a security found in Section 3(a)(10): "The term "security" means . . . but shall not include currency or any note, draft, bill of exchange, or bankers acceptance which has maturity at the time of issuance of not exceeding nine months. . . ."

Section 3(a)(10) of the '34 Act does not specifically require that in order to be excluded from the definition of what is a security, commercial paper must be used for "current transactions," as does Section 3(a)(3) of the '33 Act. However, see *Sanders v. John Nuveen & Co.*, CCH Fed. Sec. L. Rep. paragraph 93,517 (7th Cir. 1972), which used the "current transaction standard" in making its determination that paper of less than 270 day maturity was not exempt from the definition of a security under the '34 Act.

[5] The anti-fraud protection afforded by Sections 12(2) and 17 of the Securities Act of 1933 is expressly made applicable to securities exempted by Section 3. Section 12(a) provides a civil remedy to purchasers where securities are offered or sold by means of an untrue or misleading statemets or omissions "(whether or not exempted by the provisions of Section 3 . . .)." Section 17(c) provides that:

"The exemptions provided in Section 3 shall not apply to the provisions of this section."

[6] The credit analyst considers various factors such as the potential issuer's net worth, its current debt structure, its position in its industry, etc., which affect the issuer's ability to repay the additional debt. Ordinarily this information is obtained primarily from public documents such as registration statements and filings with the Commission and annual reports.

assist in the technical tasks involved.[7] The issuer agrees to provide certain information at certain intervals and access to information of the nature provided to banks for line credit.

Since the dealer's compensation rarely varies from the one-eighth to one-quarter of 1 percent per annum spread, the primary sales points for a dealer are its financial capacity to purchase the paper and its marketing ability to sell the paper at a favorable rate.

THE PURCHASERS

Those who invest in commercial paper are predominantly institutions of various types. A small percentage in terms of dollar amount are purchased by individuals. In addition, banks will often purchase in the bank's name for individuals who each may own less than $100,000. Most investors have only one thing in common: funds to invest for a short period of time with the smallest possible risk and the maximum return. Since treasury bills may not fit purchaser's maturity needs and both bank CD's and treasury bills have a lower interest rate, purchasers turn to commercial paper.

DIRECT PAPER V. DEALER PAPER

But why not direct paper instead of dealer paper? Direct paper has many advantages:

A. usually the direct issuer is larger and more established;

B. usually the direct issuer will repurchase the paper if the purchaser so requests prior to maturity; and

C. usually it is easier to obtain the desired denominations and maturities.

However, direct paper typically offers a lower interest rate—by one-quarter percent—and most direct issuers do not have the same ability to reach purchasers as do the large commercial paper dealers, who more actively solicit purchasers.

A purchaser will usually select a particular dealer based upon one or more of the following factors: Prestige and reputation of the dealer; past relationships with the dealer; solicitation by the dealer; variety of paper offered by the dealer both as to type and maturity dates; and the quality of the paper offered by the dealer. Frequently, the purchaser will tell the dealer that it is only interested in NCO prime-rated paper.

REPURCHASES

Until recently, none of the dealers had a standing policy of repurchasing commercial paper prior to its maturity. Currently, a few dealers will under certain conditions repurchase the commercial paper of issuers which they handle. But a repurchase facility usually is not a condition of the original sale and is completely discretionary with the

[7] Those will usually include the following:

A. A determination by the issuer's counsel with assistance from dealer's counsel, if necessary, of the availability of the Section 3(a)(3) exemption which may require the granting of a no-action letter from the Division of Corporation Finance.

B. The selection of a New York City bank to act as the issuing and paying agent and an agreement reached with the bank to function as such.

C. Formal authorization from the board of directors of the issuer specifying the total amount to be issued and designating the officer(s) to execute the notes.

D. Selection of a format for the notes, printing, delivery of a minimum number of notes properly signed by the authorized officers to the bank. These notes have a provision for the issuing bank to complete such items as amount, maturity and payee.

E. The issuer obtains a rating from either NCO or Standard & Poor's, at its expense.

dealer. Infrequently, dealers will repurchase to preserve a good customer's relationship, although not as a condition of the original sale.

INFORMATION PROVIDED TO PURCHASERS AT THE TIME OF SALE

Because of the short-term nature of commercial paper and the way in which investments in commercial paper are made—there is a continuous turnover and a customer usually must choose from whatever commercial paper the dealer has available at the time which will meet the customer's maturity requirements—the usual purchaser does very little investigation or analysis of the investment merits of commercial paper. He is not in a position to acquire information directly and must rely on what he can get from the dealer selling the paper, rating services and the public media.

The profit margin on commercial paper is very thin for dealers—⅛ to ¼ percent spread—who must meet the expenses involved in soliciting and selling plus the cost of inventory. A major reason for dealers to bother with commercial paper is the hope that it will lead customers to use more profitable facilities such as stock or bond underwriting. The low-profit margin would act to discourage dealers from voluntarily undertaking the expense of a thorough examination of issuers' creditworthiness and/or a thorough gathering of information for purchasers.

Since the holder of commercial paper has the status of an unsecured general creditor, there is an additional necessity to have access to reliable and current information, for in the event of bankruptcy the chance to recoup an investment is relatively small.

The dealers frequently prepare a dealer memorandum which is a short descriptive analysis of the issuer.[8] These are provided either to all potential purchasers or to those purchasers whom the dealer feels might be specifically interested. Dealers update the memorandum at least annually, and more frequently if significant events or circumstances should require.

Most customers assume that once they have told a dealer about the type of issuer they are interested in investing in, the dealer will provide only paper that meets the customers' standards. Without regard as to whether they have any basis, a number of other presumptions are held by purchasers: that the dealer will only offer the paper of an issuer which it considers to be credit-worthy and without any substantial risk; that the dealer will inform the purchaser of any adverse information concerning the issuers; and that the dealer will repurchase the paper before maturity.

Although most customers are institutions, they range from highly sophisticated investment oriented institutions to unsophisticated institutions such as many college trust funds, small town banks, and small manufacturing companies. However, as we indicated above,

[8] The typical dealer memorandum consists of the following:
1. A description of the company: Its history and the nature and type of its business;
2. The latest year-end balance sheet;
3. Income statements for the preceding 5 years;
4. Bank credit arrangements including a list of the company's primary banks;
5. The company's NCO or S. & P. commercial paper rating; and
6. Interim earnings.
Additional data which may also be provided about the issuer includes the following:
1. Ratio of current assets to current liabilities;
2. Ratio of funded debt to net worth;
3. Market value of common stock;
4. Long-term debt ratings, if any, by Moody's and S. & P.; and
5. Capital expenditures: current and projected.

even the sophisticated institutions are not given all the information as would be required by the Securities Act of 1933. Also because of the short-term nature of the investment and the speed and the manner in which it is made, investors do very little investigation on their own either into the issuer or the investment merits of the security.

ACTIVITIES OF DEALERS SUBSEQUENT TO INITIAL OFFERING

Most dealers provide one form or another of continuing review of their issuers, although it is very limited. This usually involved checking with banks to see if adequate back-up lines are being maintained in addition to the status of any other relationships between the issuers and the banks.

Most firms which act as dealers in commercial paper have a trading department staffed by individuals whose primary, if not sole, responsibility is marketing commercial paper. Ordinarily this trading department is separate and distinct from other marketing activities of the firm. Commercial paper traders at most firms are responsible not only for marketing the paper but also for maintaining relationships with customers. The investors which the dealers solicit are a relatively small group of institutions who apparently utilize the services of all the dealers.

Most dealers maintain an inventory of commercial paper which is made up of unsold portions of issuer's commercial paper. Dealers are under substantial pressure to turn over their inventory as quickly as possible for the inventory, which can run as high as $300 million, is financed through bank loans. Such financing may be expensive and difficult to find.

Penn Central Transportation Co.'s Commercial Paper

ESTABLISHMENT OF COMMERCIAL PAPER RELATIONSHIP WITH GOLDMAN, SACHS & CO.

The first serious discussions between the company and Goldman, Sachs concerning the issuance of commercial paper took place in early 1968. David C. Bevan, chief financial officer of the company at that time, had met Gustave Levy, managing partner of Goldman, Sachs, while the former was with New York Life in 1946. The acquaintance was continued throughout the time Bevan was with New York Life and during the time, from 1951 on, that Bevan was with the company. At a meeting in March 1968, and after subsequent discussions between Bevan, Levy and Wilson, the decision was made to issue commercial paper and utilize Goldman, Sachs. At this point, according to Robert G. Wilson, a partner in Goldman, Sachs and head of its commercial paper department, Goldman, Sachs followed its usual precedures for taking on a new issuer.[9]

Wilson could not, however, recall whether anyone other than Jack Vogel, head of the commercial paper department's credit department, was involved in determining the credit-worthiness of the company, nor could he or Vogel recall if there were any reports prepared relating to the company's credit-worthiness at this time,

[9] This included obtaining the necessary borrowing resolutions, signature cards, annual reports, a copy of the ICC order approving the sale, and financial data.

although Vogel stated that he personally did not prepare a written report.

While neither witness could recall the specific steps taken in the case of Penn Central, they did testify as to the normal procedures followed within the firm. The credit department, headed by Vogel, would have made, in the ordinary course of business, a preliminary decision on credit-worthiness,[10] and it would have been up to Wilson to make the final decision. The recommendation by Vogel is usually not made in writing, but a checklist is made as to information received. Usually no memorandum or written record is made of Wilson's conversations with Vogel or of Wilson's decision. Wilson stated that he has no particular standards or guidelines for making this decision but draws upon his own experience and looks at each company individually. Wilson noted that the credit department has informally established certain minimum standards or guidelines. However, he did add that there are some standards in this area:

> You look for a history of earnings, you look for a ratio that shows a relatively strong working capital position. You want to know about the management of the company, its reputation, where the company stands in its field, this type of thing.

Wilson also stated that there was no particular ratio or standard applied to the level of outstandings but that he only relates borrowings in commercial paper to current assets and receivables and the level of inventories since the proceeds from the paper are to be used for current purposes.

Vogel's testimony fairly much paralleled Wilson's in terms of the absence of any standards or ratios that are applied to the factors which are considered. He did, however, expand somewhat on the role of the analyst:

> * * * He would review the company's financial statements, determine whether or not the company is, or has, an ongoing nature to it, whether its product line is of the type that would do more in the next few years, or 10 years, whether the company has a record of profitability, whether it has a reasonable chance to have a record of profitability in the future, whether other lenders, or other suppliers of funds have a favorable opinion of the company in its past, and in its present, and of its future * * *.

As was mentioned earlier, Vogel could not recall having made a written report on the company prior to its being approved by Goldman, Sachs as an issuer, nor could he recall other than in a general way, what factors were considered at the time (summer of 1968). Wilson's testimony was the same.[11]

The Interstate Commerce Commission on July 22, 1968, gave the company authorization to issue $100 million in commercial paper, and by August 5, 1968, sales were well underway.

Once the decision to carry a particular issuer has been made, the credit department normally undertakes to review the public media for information about the issuer. Once a year the issuer is asked for confirmation of existing lines of credit. As will be shown, if the standards described above had been applied in late 1969 or early 1970, Goldman, Sachs would not have continued to offer the company's paper for sale.

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[10] According to Wilson and Vogel the determination of credit-worthiness involves looking into the prospective issuer's borrowing practices, its access to credit, the opinions of banks with whom the issuer maintains lines of credit, and reviewing its financial statements as found in the annual reports. At no time did Wilson or Vogel indicate that it was normal procedure for Goldman, Sachs to investigate the issuer as an underwriter would be in a typical registered public offering.

[11] Vogel testified that Goldman, Sachs takes on about one new issuer a week. These issuers must be investigated by his staff of four. In addition, this staff is also responsible for maintaining an on-going review of the approximately 250 issuers for whose paper Goldman, Sachs acts as dealer.

THE FLOW OF INFORMATION TO GOLDMAN, SACHS & CO. WHICH INDICATED THE DETERIORATING FINANCIAL CONDITION OF THE COMPANY

From September of 1969 through May of 1970, Goldman, Sachs was very actively engaged in selling the company's commercial paper. In fact, the amount outstanding was increased from $150 million to $200 million during late 1969. During this period Goldman, Sachs gained possession of material adverse information, some from public sources and some from nonpublic sources indicating a continuing deterioration of the financial condition of the transportation company. Goldman, Sachs did not communicate this information to its commercial paper customers, nor did it undertake a thorough investigation of the company. If Goldman, Sachs had heeded these warnings and undertaken a reevaluation of the company, it would have learned that its condition was substantially worse than had been publicly reported.

Public information

Based on information publicly available by November of 1969, a thorough reevaluation of the transportation company's financial condition would seem to have been appropriate. For example, the reported loss of the transportation company for the first 9 months of 1969 was $40.2 million, or $26.4 million more than in 1968. In late November an announcement was made that Penn Central was passing the dividend. In testimony before the ICC, outside counsel representing the company told the ICC that Penn Central was having a very difficult time effecting the merger (management was very upset by this statement). This matter, as well as a reference to the same effect by an independent expert a few days later, was reported in the news media.

The above information was available to Goldman, Sachs through the public media. However, this did not cause Goldman, Sachs to reexamine the financial condition of the company whose paper Goldman, Sachs was selling as prime rated commercial paper. In addition, thereafter, other public information came to their attention which indicated a serious worsening of the company's financial condition.

Other information available to Goldman, Sachs concerning the general financial condition of Penn Central Transportation Co.

Whether it was for these or other reasons, a memo written by Robert Wilson on September 3, 1969, indicates that there was some concern at this time about the company's financial situation. In the memo Wilson states that as "* * * it has been a long time since we had gotten together to talk about the company," he had requested a meeting with the top officials in the company's finance division since, "We have a lot of questions to ask about the merger, cash flow, and their long term financing plans."

On September 19, 1969, Wilson and others in Goldman, Sachs met with Jonathan O'Herron, vice president-finance of the company. Among other things, O'Herron stated that the company would be in a very tight cash position in the first quarter of 1970. Because of this, he asked if Goldman, Sachs would sell as much commerical paper as possible through April or longer, and disclosed that the company had applied to the ICC for authorization to increase its outstanding commercial paper from $150 million to $200 million.

On October 22, O'Herron told Wilson that Penn Central would show a small loss in the third quarter, but he anticipated that the fourth quarter would be in the black with a good improvement.

On October 29, the ICC approved an increase in the amount of the company's commercial paper outstanding from $150 to $200 million. There were, however, a number of important disclosures in the ICC's order. In discussing approval of the issuance of this increased amount, the ICC stated:

> Applicant feels that long-term financing at the present time is not feasible due to the tight-money situation. Although we are sympathetic to applicant's problem, short-term financing has traditionally been relied upon to finance short-term needs and is not normally regarded as a proper source for long-term financing of capital expenditures or for refinancing of maturing long-term debt. As of June 30, 1969, applicant had a deficit working capital situation which can be expected to worsen if reliance on short-term financing is increased. The exhaustion of short-term credit to refinance maturing long-term debt or to finance long-term capital expenditures could expose a carrier to a serious crisis in the event of an economic squeeze, at which time a carrier may require short-term financing for traditional use. We are, therefore, concerned about the use of short-term financing for long-term purposes and feel that where necessary it should be resorted to cautiously.

The order went on to state that on the whole the company was in a strong financial condition, and in view of the tight money market at that time and the fact that the company had indicated its intent to negotiate long-term financing as soon as possible, the ICC would approve the request for an increase in the outstanding commercial paper. In approving the increase, the ICC order noted:

> According to the investment banking firm which usually handles applicants' commercial paper, unless market conditions change, there is a market for an additional $50 million of applicant's notes.

Goldman, Sachs, however, never did explore in any depth the areas of inquiry which they indicated would be the subject of the September meeting. All of the information described above raised serious questions about the soundness of the Transportation Co. and the safety of investing in its commercial paper. The information indicated that the company was experiencing a liquidity crisis and that it might find it extremely difficult in the future to meet its cash needs, thus jeopardizing commercial paper holders. A thorough study of the subject would have disclosed how much more damaging the information about liquidity of the company and its ability to pay off commercial paper holders was. Although such a study would appear to have been in order at this time, Goldman, Sachs did not conduct any further investigation, and made no disclosure of the above information while continuing to actively promote the company's commercial paper. Customers were not told that the company expected to be in a tight cash position in the near future; were not told about the ICC order or the information about the deficit working capital situation or the fact that the company's commercial paper proceeds were being used for long-term financing.

Requests by Goldman, Sachs that Penn Central increase the lines of credit backing up its commercial paper

There was other information Goldman, Sachs was receiving in the latter part of 1969 and in early 1970 which indicated a deteriorating financial condition and raised questions concerning the liquidity of the company.

As early as September of 1969, Goldman, Sachs initiated a request that the company increase its back-up lines of credit [12] for its commercial paper. At the September 19, 1969, meeting described above, O'Herron had described how the railroad was currently borrowing $250 million out of a total $300 million revolving credit. He went on to state that the company intended to use the remaining $50 million of the revolving credit lines plus $50 million of outside lines of credit as back-up for the $200 million in commercial paper. Wilson then asked O'Herron if it were possible to get an additional $50 million in back-up lines. According to Wilson, O'Herron replied that it was, but he would prefer not to do so. O'Herron's account is: "I can't remember specifically whether I said I preferred not to, or said I didn't think I could." When asked why the company could not have increased its lines, O'Herron replied:

> Because I think the Penn Central had already had a line of credit, some of which was used at that time, of $300 million, and which was a pretty sizable amount of credit availability, for even a company of that size. So, the probability of increasing that was not very great in my opinion. So, I can't recall if I said "preferred not to," or "couldn't," I think they are both the same.

Wilson testified that Goldman, Sachs' concern was to convey to the company their feeling that customers were considering back-up line coverage as being more important because of the tight money market which prevailed in late 1969 and early 1970. Although it is his opinion that back-up lines were not a firm commitment to lend money, Wilson did state that back-up lines are important to customers as an indication of some willingness on the part of the banks to supply credit to back up their paper, especially in times of tight money. In fact, when asked what the average commercial paper investor looks to in determining whether an issuer will be able to make repayment, Wilson replied:

> I think they look at all these things, I think they look at cash flow; I think they look at back-up lines; I think they would look at capacity to get lines, capacity to do financing, all these things.

There is conflicting evidence as to whether or not it was unusual for Goldman, Sachs to have been requesting more than 50 percent line coverage of the company at this time. In any case, Goldman, Sachs was to ask the company repeatedly for an increase in line coverage on into the first quarter of 1970 without success (eventually Goldman, Sachs even began asking for 100 percent coverage). The management of the company was very reluctant to ask the banks for more line credit. Although Goldman, Sachs never inquired too deeply into the reasons for the company's reluctance, it should have been apparent that the company had exhausted all credit.

According to Wilson's testimony cited above, the fact that the company only had 50 percent line coverage and the fact that it was unable to obtain more was information that investors would have considered important. The unwillingness and inability of the company to raise more than 50 percent of the coverage was never disclosed to customers. Furthermore, this information, just as the other available information described in the previous section, was a further indication of the financial problems of the company and should have caused Goldman, Sachs to investigate further. During the period in question,

[12] Back-up lines of credit represented varying degrees of commitments by banks to loan money to the company in the event that it should need it.

when a tight-money market existed, access to credit was even more important. Goldman, Sachs kept a close watch on the banks participating in credit lines to the company. By their own actions, Goldman, Sachs acknowledged the importance of the inability of the company to raise 100 percent coverage at this time. In fact, on February 5, 1970, O'Herron had told Wilson that the company could not raise any additional lines of credit. The inability of the company to obtain 100 percent backup lines, as with other relevant information, was not disclosed to customers.

Publication of 1969 year-end earnings by Penn Central Transportation Company

On February 5, 1970, the transportation company announced a $56 million operating loss for 1969, which indicated a loss of $16 million for the fourth quarter. This was contrary to the company's recent assurances that the fourth quarter would be in the black. In addition to this loss the company wrote off $125 million in passenger equipment and facilities as an extraordinary item. On the same day Wilson called O'Herron to set up a meeting on the next day to discuss the loss. At the meeting, at which Levy and Wilson of Goldman, Sachs, and Bevan, O'Herron, and Robert Loder of the company were in attendance, Bevan attempted to explain the 1969 loss and the company's projected budget—another $56 million loss—for 1970.

Bevan explained that they all had anticipated that the railroad would break even in the fourth quarter but that at the last moment their accountants had suggested certain writeoffs which changed the results. The 1970 official budget, according to him showed an estimated loss of $56 million, and the railroad needed an additional $170 million for capital improvements and equipment, causing the total cash requirement for 1970 to be $226 million. Bevan then explained that this would be raised by trust certificates—$70 million—a long-term financing through Pennsylvania Company—$100 million—and a Euro-dollar loan—$50 to $75 million. Although the timing on these was uncertain, they intended to set up a $50 million bridge loan in the near future. Bevan added that although the official budget showed a $56million loss, the management target for the railroad shows a loss of zero to $23 million for 1970.

This explanation of the manner in which the company was to continue operating appears to have completely answered whatever questions Goldman, Sachs had at this time about the financial situations of the railroad. Levy and Wilson asked no questions about any of the methods mentioned above, by which Bevan intended to raise the necessary funds for 1970. According to Levy no questions were asked because "as I said, I had complete confidence in Mr. Bevan's integrity; that he could do what he said he could do." Furthermore, Levy did not confer with anyone at Goldman, Sachs about Bevan's plans, or direct anyone at Goldman, Sachs to contact the company personnel to inquire into Bevan's statements or to request the railroad to supply Goldman, Sachs with any statements or figures about their budget situation or cash forecast because Levy had "complete confidence in Bevan and O'Herron."

In spite of the fact that the railroad had suffered a loss for 1969 and the fact that it was now having great difficulty raising additional lines of credit, Wilson stated, concerning Bevan's explanation of the

1969 loss and the 1970 projections, that, "We had no reason to doubt him at that time, and we were satisfied with the answers to the questions we asked in these areas." It appears, however, that very few questions were asked. According to Wilson's testimony, the elements which he considered as affecting the company's creditworthiness on February 6, were the fact that the Pennsylvania Company had over $900 million in securities, the fact the railroad had large real estate holdings, and the magnitude of the railroad itself. All these assets, however, had never been evaluated by Goldman, Sachs to determine their actual worth, how encumbered or pledged they were, or whether those that were held by subsidiaries could be liquidated for the company's purposes. Vogel, head of the credit department, who was also at the meeting testified that at this time no reexamination of the company took place as a result of these events:

> As a result of information obtained through these meetings we were reassured by the management—at least in our opinion—of the railroad—that the situation was one that was explainable, normal, and not of any problem. To that extent we accepted that reassurance.

So, as a result of the announcement of a $56 million loss for 1969, Goldman, Sachs had sought the assurance of management that all was well, got that assurance and was apparently satisfied with same.

The National Credit Office (NCO) continues prime rating after 1969 results announced

On February 5, 1970, Allen Rogers of NCO called Jack Vogel of Goldman, Sachs to express concern over the sharply reduced earnings announced in the newspapers that day. Vogel told Rogers that Goldman, Sachs was continuing to sell the company's paper in spite of the sharply reduced earnings. Vogel also suggested that the company had a number of valuable properties and securities, and he was certain that something could be worked out should it ever become necessary. According to a memo written by Vogel, Rogers stated, "that as a result of my comments, he would continue to carry Penn Central Transportation Company as a prime name." According to a memorandum written by Wilson of a conversation with Levy, "I also explained Allen Rogers' conversation with Jack Vogel and that Allen's feeling was that as long as Goldman, Sachs was going to continue to handle the company's c/p (commercial paper) he would keep the prime rating." In fact, NCO continued the prime rating until June 1, 1970.

As will be more fully described below, customers relied heavily on the NCO prime rating as an independent opinion of the creditworthiness of commercial paper issuers. Goldman, Sachs also utilized the availability of the NCO ratings as a selling point to assure customers of the low risk involved in purchasing commercial paper. Specifically with regard to the company's commercial paper, Goldman, Sachs was aware that customers relied on the prime rating of the company's commercial paper, and Goldman, Sachs used the company's commercial rating of "prime" in selling it.

As a result of this conversation with Rogers, Goldman, Sachs became aware of facts which undermined the value of the prime rating given by NCO to the company's paper and the independent nature of that determination. Thus, from this point on it appears that NCO was not the thorough, independent rating service that Goldman, Sachs had represented to customers that it was. In addition,

from this point on, Goldman, Sachs was aware that the "prime" rating was based to a great extent on the fact that Goldman, Sachs was continuing to offer it. They also believed that the "prime" rating was based in part on Vogel's opinion that the company had sufficient properties and valuables—which fact Goldman, Sachs had never investigated—to liquidate if necessary. Furthermore, if they were looking to liquidation as a means of determining creditworthiness, the railroad clearly was no candidate for the "prime" rating.

Certainly investors involved in such short-term investments as commercial paper where liquidity is so vital would want to rely on liquidation of corporate assets as a means of payment. Also Rogers' apparent reliance on the simple statement of Vogel would indicate that NCO was not engaged in the kind of analysis required to make an independent determination to continue the prime rating. Nor had Goldman, Sachs done any kind of analysis which would substantiate these statements. In addition, Goldman, Sachs never disclosed to any customers any of these matters.

Goldman, Sachs reduces its inventory of Penn Central paper

Goldman, Sachs' analysis about the significance of the year-end results may be ascertained with greater reliability from the actions they took rather than from their statements. Thus, on the very same day they learned of the first quarter losses, they contacted the company and got a commitment from the company to buy back $10 million of its commercial paper from Goldman, Sachs' inventory. Furthermore, Goldman, Sachs insisted that from then on, the company's paper be sold under a tap issue arrangement whereby Goldman, Sachs would no longer buy any paper from the company, but would ask the company to issue certain paper only after it had found a customer for the paper, an arrangement involving no risk for Goldman, Sachs. At the time the company went into bankruptcy, Goldman, Sachs held none of the company's paper.

The coincidence of the timing of the reduction of inventory and the tap issue arrangement with the announcement of year-end results would appear to indicate that Goldman, Sachs' concern with the company made them more unwilling to risk their assets. In their testimony, Goldman, Sachs' people have admitted that one of the primary reasons for this action was the feeling that the yearend results would make the company's commercial paper much less marketable. Accordingly, they wanted to reduce their inventory. Most customers believed that Goldman, Sachs maintained an inventory in all commercial paper which they offered for sale. Many who purchased the company's paper after February 5, 1970, looked to the fact that Goldman, Sachs had an inventory of the company's paper as assurance that Goldman, Sachs felt the paper to be credit worthy. Goldman, Sachs never informed its customers of its decision to reduce and eventually eliminate its inventory.

Receipt of adverse information as to first quarter results

On March 23, 1970, in a conversation with Wilson, O'Herron stated the first quarter's figures would look terrible.

Goldman, Sachs made no further inquiry as to how adverse the first quarter results would be or how this would affect commercial paper holders. They did not seek to examine records of the company with regard to first quarter results. If they had done so, they would

have discovered that internal documents of the company indicated a loss of $60 million for the first quarter.

Goldman, Sachs continued to actively promote the sale of the company's commercial paper for the period of March 23 to April 14, when another discussion was held with the company's management concerning first quarter results. A total of $17.3 million in commercial paper was sold to 18 customers during this time. None of these customers were told about these expected terrible results for the first quarter.

On April 14, 1970, Goldman, Sachs learns that there will definitely be a loss for first quarter; public learns on April 22, 1970

On April 14, 1970, O'Herron told Wilson that the losses for the first quarter would be "lousy," and, in fact, "staggering." O'Herron added that he did not see the turnaround in the railroad yet, and that the cash position is in very serious shape.

Based on these comments Wilson recommended to Levy that they stop offering the company's paper until the current situation could be clarified. A meeting with Bevan and O'Herron was scheduled for later in the day for that purpose.

At that meeting O'Herron apologized to Wilson for the casual nature of his remarks made earlier in the day. Bevan indicated that he could not tell exactly what the first quarter losses would be, but they would be substantially in excess of the $12 to $13 million lost in the first quarter of 1969. The losses, he explained, had resulted from a $20 million reduction in anticipated revenues and larger expenses due to the most severe winter in the history of the railroad. Bevan stated that he did not anticipate that the losses for 1970 would be worse than those sustained in 1969. He further stated that the entire system had been put on a severe cost-cutting program by Gorman, the new president.

There was more discussion about what measures were being taken to improve conditions. Bevan stated that they expected to announce the final loss figure next Wednesday (April 22) and at the same time would file for the upcoming $100 million public debt offering. Bevan then outlined the ways in which he intended to meet the forthcoming cash needs of the company. He described specific steps that could be taken should it become necessary. Included in these was a plan to sell some of the real estate. Wilson asked whether these properties had several layers of mortgages and Bevan answered affirmatively. Bevan added that their cash position has been the subject of an intensive hearing in the past 30 days before the full ICC and Transportation Secretary Volpe. Bevan and O'Herron asked them to continue to offer the company's commercial paper until they effected their $100 million bond offering in early May.

Again based on a brief explanation by Bevan, Goldman, Sachs was assured that "there was no emergency at the Penn Central Transportation Co." At this meeting Bevan stated that the losses for all of 1970 would not be more than $56 million. Eight days later, the company announced that it lost $62.7 million in just the first quarter of 1970. Bevan outlined new contingency plans for liquidation of real estate, equipment, and securities. As in the past, few questions were asked (Wilson did ask if the real estate was encumbered and Bevan replied that it did have several layers of mortgages), and no steps were taken

to investigate Bevan's reassurances. The next day, Levy told O'Herron that Goldman, Sachs would continue to offer the company's paper.

Bevan's statements at this meeting bore no resemblance to the reality of the situation. The situation was much worse at this time for in addition to the magnitude of the anticipated losses, O'Herron indicated that a substantial part ($51 million) of the income to be reported on a consolidated basis was to come from extraordinary and nonrecurring sources. The actual consolidated losses were, therefore, actually greater than was reported for the first quarter.

During the time between this meeting and the time that the first quarter losses were announced to the public, Goldman, Sachs made one sale of $300,000 of the company's commercial paper. This customer was told nothing of the first quarter results.

Sales of Penn Central Transportation Co.'s commercial paper after announcement of first quarter results

On April 22, 1970, the company announced the results of the first quarter. The parent, Penn Central Co., reported first-quarter consolidated losses of $17.2 million (compared with net income of $4.6 million for same period in previous year). The results included extraordinay income of $51 million. Penn Central Transportation Co. reported a loss of $62.7 million for the first quarter.

Goldman, Sachs continued to offer commercial paper to its customers and in the period April 22 to May 15 sold $5 million to one customer, the American Express Co., on May 1, 1970. Goldman, Sachs witnesses have testified that on April 30, their salesmen were required henceforth to read from press releases announcing first quarter results.

There is some dispute as to what American Express was told. The Goldman, Sachs salesmen stated that they were told about the first quarter results. American Express testified that this was not the case. It had been reluctant to purchase the company's paper, but Jack Vogel, head of the credit department, told it that there were adequate assets to back up commercial paper in order to persuade it to change its mind about buying the company's paper. The paper purchased by American Express resulted from a buy-back by Goldman, Sachs from Mobil Oil and then a resissue to American Express. American Express claims that at this time Goldman, Sachs told it that there was no reason to be concerned about the ability of the company to meet the maturity of the paper.

By mid-May it was clearly impossible to sell any more of the company's paper and all further effort was terminated by mutual agreement between Goldman, Sachs and the company. One of the reasons for the company's bankruptcy was its inability to roll over its commercial paper, for the amount of redemptions which could not be rolled over totaled $117 million for the first half of 1970.

Other Financial Relationships Between Goldman, Sachs and the Transportation Co.

In addition to the compensation received for the sale of commercial paper, there were many other areas of financial relationship with the company which were being developed around the time in question, which could have and did produce additional sources of revenue for Goldman, Sachs. On November 4, 1969, representatives of Goldman,

Sachs and the company met to discuss a $350 million pension fund and a high performance contingent compensation fund in which Goldman, Sachs was "hopeful that we will be able to make a contribution."

On November 17, 1969, Goldman, Sachs was invited to participate as a syndicate member in the underwriting of a $50 million Pennsylvania Co. debenture offering.

On December 9, 1969, in discussions with the company, Goldman, Sachs uncovered "some possible lease finance business."

On January 2, 1970, Canada Southern Railway Co., a subsidiary of the company, purchased commercial paper of another issuer from Goldman, Sachs ($1.5 million). Also Mahoning Coal Railroad Co., a company subsidiary, purchased commercial paper of another issuer from Goldman, Sachs ($1,300,000). On January 8, 1970, the Peoria and Eastern Railroad Co., a subsidiary of the company, purchased another issuer's commercial paper from Goldman, Sachs ($250,000). This was the first time these subsidiaries had ever purchased commercial paper.

By February 12, 1970, the company and its subsidiaries had purchased over $60 million of commercial paper from Goldman, Sachs in the last 7 weeks.[13]

On February 26, 1970, Robert Haslett of the company called Goldman, Sachs and stated that he would like Goldman, Sachs to start working with him on the company's thrift plan (they invest about $250,000 each month). George Ross of Goldman, Sachs stated that he had every reason to believe that they can do substantial securities business with the company and that Levy should mention Goldman, Sachs' investment management services to Bevan. Goldman, Sachs did eventually handle the thrift plan for the company.

Around this time Levy indicated to Wilson that he should get in contact with Bevan, who stated that the company may have a blanket mortgage from which Goldman, Sachs may benefit, and that this could amount to as much as a billion dollar underwriting.

Methods Employed by Goldman, Sachs To Sell the Company's Commercial Paper to Customers

General representations made about commercial paper

Since Goldman, Sachs is the oldest and largest dealer in commercial paper, most customers believed that Goldman, Sachs would offer them only commercial paper which met their requirements and which Goldman, Sachs felt was credit-worthy. This impression was created in large part by oral representations made by Goldman, Sachs personnel and by written materials (pamphlets and brochures) distributed by them which extolled Goldman, Sachs as the "largest," and "most important," commercial paper dealer. Further enhancing this image were representations made by Goldman, Sachs that commercial paper is the equivalent of Government securities in terms of safety, that Goldman, Sachs only offered the paper of the top companies; that it maintained a credit department to review commercial paper issuers, that it offered investment advice to purchasers; that it purchased the paper of "outstanding" companies for resale to investors; that it would provide financial information on issuers whose paper

[13] Most of these funds came from the proceeds of the $50 million Penneo debenture offering in December 1969).

it was offering for sale; and that it only offered paper rated "prime" by NCO, an independent credit rating service.

Most customers had sufficient contact with Goldman, Sachs for the latter to become familiar with the nature of the customers' businesses. Furthermore, this familiarity enabled Goldman, Sachs to learn that most customers contemplated that there would be a minimum risk involved as the funds were almost always earmarked for some purpose in the near future. In almost all cases Goldman would assure the customer, when asked, that the purchase was suitable for his situation.

Initially Goldman, Sachs would often provide a customer with a book which contained the latest financial statements of the companies whose paper they offered for sale. After a customer had made a purchase, Goldman, Sachs would send a copy of the issuer's latest available financial figures which would update the information about the issuer which was contained in the book. The information Goldman, Sachs was sending customers about the company, even as late as the end of March of 1970, was the year-end financial statement for 1968.

Rarely would a customer investigate an issuer on its own. Most customers either just stated to Goldman, Sachs that they were relying on Goldman, Sachs to provide them with the "very best paper" or "NCO prime paper" or in a very few cases, gave Goldman, Sachs an "approved list."

Most customers would call Goldman, Sachs and ask what was available which would fit their maturity requirements, and the salesman would describe what was available. In a few cases a customer would ask questions about the financial or general condition of the issuer and would be given answers. The customer would then select a particular paper for purchase.

HOW THESE CUSTOMERS INVESTED IN THE COMPANY'S COMMERCIAL PAPER

In the sales of the Penn Central Transportation Co.'s commercial paper, most customers asked no questions and when some did, they were reassured that everything was fine. When questions were raised by customers concerning the company's increased losses, the salesmen usually replied that merger or other temporary problems were the cause, and with $6.5 billion in assets there was nothing to be worried about. Frequently, the salesmen, through the beginning of April 1970, would cite to customers the company's 1968 results in answer to these questions. Some customers who still resisted were persuaded only after arguments by salesmen that, additionally, the high rate of return (in 1970 the company was offering the highest commercial paper paper rates), and the fact that the company's paper could be tailored to their needs, made it the best for their purposes. Furthermore, most customers at the time of purchase did not have any current financial information about Penn Central Transportation Co., or any of the information described in sections above which was in the possession of Goldman, Sachs, and Goldman, Sachs did not offer any of it prior to the sales. If the customer indicated to the salesman that he had heard something adverse about the company, the salesman would often firmly reply that the company was still "NCO prime" and there was no risk at all involved.

An example of the type of situation in which the customer placed complete reliance on Goldman, Sachs' recommendations is that of a textile manufacturer in Clinton, S.C. The relationship between the customer and Goldman, Sachs originated in 1960 at the time the customer was considering a merger. Goldman, Sachs was consulted to help prepare the rate of the exchange. Although this merger fell through, a subsequent merger attempt in 1964 in which Goldman, Sachs worked out the details (and for which they were paid a fee) was a success.

The two had intermittent contact through the sixties. Goldman, Sachs set up a revolving credit agreement for the customer to enable it to build another plant.[14]

In the fall of 1968, Goldman, Sachs assisted the customer in another merger. In the course of this merger, Goldman, Sachs was furnished with complete financial information on the customer.

In August of 1969, the customer had accumulated $1 million in cash in anticipation of another merger (although it had drawn down $4 million from the revolving line of credit). Since it would be months before the merger took place, the customer contacted the individual at Goldman, Sachs with whom it had been dealing and explained the situation. The individual recommended commercial paper. The customer reminded him of the limitation on commercial paper placed by the revolving credit agreement and stated that it would be relying on the recommendation of Goldman, Sachs and no one else. In fact, the customer's president gave instructions that the company was to buy whatever was recommended by Goldman, Sachs. In September of 1969, Goldman, Sachs by letter recommended certain commercial paper. The customer purchased it. When this paper matured in December, Goldman, Sachs recommended the company's paper. The customer bought it. When this matured in March of 1970, Goldman, Sachs recommended repurchasing the company's paper, which the customer did. This paper and an additional amount, which Goldman, Sachs had at the same time recommended to be placed in the company's paper, were not repaid because of the company's bankruptcy.

The treasurer of a small college in Pennsylvania described, in an affidavit, the circumstances surrounding the college's purchase of the company's paper on March 30, 1970, as follows:

> At this point the availability of Penn Central was mentioned. I hesitated because the college already held $400,000 in Penn Central. On asking for pertinent information from the latest financial report, I was informed the company reported consolidated revenues of $2,251,716,000 compared with $2,102,770,000 the previous year and preliminary earnings of $4,388,000 versus $86,961,000. At this point the problems of consolidation as a result of the merger were pointed out. I next questioned the current asset to current liability ratio, which was indicated at approximately one to one. When I indicated my concern over this, the representative reassured there was no need for concern since total assets exceeded 6½ billion. With some hesitancy I agreed to the purchase of 300M of Penn Central paper.
>
> On April 3, 1970, I received the letter of confirmation and a copy of the financial data on Penn Central. I was dismayed to learn the information conveyed over the phone was as of December 31, 1968, and not December 31, 1969. This, coupled with reports in the newspapers of the increased financial plight of the company, prompted me to call our representative to attempt to sell the paper held by the college. I was informed our representative accepted another job and the college had been assigned a new representative. I do not know what efforts were taken by Goldman, Sachs & Co. to resell the paper, but in any event they were unsuccessful.

[14] A clause of this agreement limited the customer to investing "in securities issued by the United States, CD's of banks and prime commercial paper as determined by generally accepted banking practice."

KINDS OF CUSTOMERS WHO PURCHASED THE COMPANY'S COMMERCIAL PAPER

The customers who purchased the company's paper during this period fall into diverse categories: Institutions sophisticated in securities analysis; companies primarily engaged in manufacturing; colleges and universities; small banks; and individuals purchasing through banks. The vast majority of the customers were institutions or corporations.

Almost all the customers did no investigation of the company before or after purchasing its paper from Goldman, Sachs for a number of reasons. First of all, most of the institutions and corporations were not sophisticated in terms of their ability to gather and analyze the necessary information. Secondly, they did not have access to the kind of information necessary to make a meaningful investment decision on Penn Central's commercial paper. In addition, the quickness with which the decision had to be made would have prevented them from undertaking such an analysis. And last, almost all of the customers were relying on Goldman, Sachs' recommendation, and on the NCO rating and on the general reputation of the company.

SUMMARY

Between November of 1969 and May of 1970 Goldman, Sachs sold $83 million of Penn Central Transportation Co.'s commercial paper which was not repaid because of the latter's bankruptcy. During this time they became aware of information which cast doubt on the safety of this commercial paper. Most of the nonpublic information described above was not disclosed to customers. The information they did disseminate was out of date.

Despite repeated warning signals, Goldman, Sachs initiated no in-depth analysis. If they had, they would have found matters to be much worse.

In addition, Coldman, Sachs failed to disclose that they had reduced and were eliminating their inventory of the company's paper, that NCO had been induced to maintain the prime rating and that the company's paper was meeting strong resistance from customers.

GOLDMAN, SACHS' POSITION ON THE SALES OF THE COMPANY'S COMMERCIAL PAPER

Goldman, Sachs' views concerning its sales of the company's commercial paper may be summarized in the following way. First of all according to Goldman, Sachs, its commercial paper operations were not lucrative when compared to its other activities. (For example in 1969 Goldman, Sachs had outstanding an average of $4.7 billion in commercial paper, but their net profits from these sales was only $435,000.)

According to Goldman, Sachs, the customers were sophisticated investors who purchased commercial paper in $100,000 denominations. Goldman, Sachs felt that these customers were capable of making their own investment decisions and did not have to rely on Goldman, Sachs' opinion. Goldman, Sachs viewed itself as merely a conduit of commercial paper which made no recommendations as to the quality of the paper or the credit-worthiness of the issuers. Goldman, Sachs

would merely inform the customers as to what paper was available, and the customer would decide which paper it wished to purchase.

Goldman, Sachs also maintained that in the company, which was the country's fourth largest corporation, there were always sufficient assets which could be liquidated should the need arise, which provided sufficient protection for commercial paper holders.

Goldman, Sachs did take certain steps to disseminate information to customers and at least on two occasions did call in the company's top management for an explanation of what was happening. In addition, customers, if they so desired, could have obtained some information on the company since as a publicly held corporation it was required to make public its financial condition.

III–B. Role of National Credit Office in Rating the Commercial Paper of Penn Central

The concealment of Penn Central's condition was aided by Goldman, Sachs as described in the preceding section. Another entity, the National Credit Office (NCO), also contributed to the misleading of investors. This section is concerned with the activities of NCO prior to June 21, 1970, the date of bankruptcy, with respect to the commercial paper issued by the Transportation Co. and sold by Goldman, Sachs.

National Credit Office is a wholly owned subsidiary of Dun & Bradstreet, Inc. (D. & B.) which until on or about August 23, 1971, functioned as a rating agency for commercial paper. On August 23, 1971, the commercial paper rating service of NCO was transferred to Moody's Investors Services, Inc., another wholly owned subsidiary of D. & B. which is a registered investment adviser.

NCO had been rating commercial paper since 1920 and prior to 1970 it was essentially the only national commercial paper rating service. NCO was never registered with the Commission as an investment adviser.

As a standard method of operation, NCO would enter into a subscription agreement with the prospective issuer of commercial paper wherein the issuer would agree to pay an annual fee to NCO for appraising commercial peper and pursuant to which NCO agreed to evaluate and assign one of the following classifications to subscriber's (i.e. the issuer's) commercial paper:

Prime.—Companies with a net worth or capital funds (net worth plus long-term subordinated loans) in excess of $50 million, which also meet NCO requirements and credit judgment in all other respects.

In the cases of "captive" finance companies, net worth or capital funds in excess of $15 million are required in addition to meeting NCO requirements and credit judgment in all other respects.

Desirable.—Companies with net worth or capital funds (net worth plus long-term subordinated loans) of $25 million to $50 million, which also meet NCO requirements and credit judgment in all other respects.

Satisfactory.—Companies with net worth or capital funds (net worth plus long-term subordinated loans) ranging from approximately $10 million to $25 million, which also meet NCO requirements and credit judgment in all other respects.

Fair.—Companies which do not meet a sufficient number of NCO's requirements for the three preceding classifications.

No Rating.—Companies which do not meet any NCO requirements for inclusion in the commercial paper market.

Additionally, the issuer agreed to "furnish promptly to NCO pertinent financial reports and other data normally provided line banks, in order that NCO may accurately appraise the commercial paper."

From the foregoing it would appear that NCO's function was to rate the desirability of specific commercial paper. It would also seem apparent that as Mr. Eugene Schenk, the president of NCO, has stated:

NCO is the agency on which virtually all prospective buyers rely for ratings in the commercial paper field. Through the years our authoritative appraisals have been of material assistance in making a market for these short-term notes.

The commercial paper market which NCO had been engaged in as the sole national rating agency had experienced phenomenal growth in the late 1960's, primarily due to the severely tight money markets of that period and the relative ease and privacy of raising short-term debt afforded by this market. As the market grew rapidly, NCO's rating responsibilities grew concomitantly as the following data illustrates: NCO rated the following number of issuers in the respective categories at the indicated date.

	Apr. 1, 1970	December 1969	December 1968	December 1967
Industrial	266	236	149	108
Public utilities	163	153	82	25
Finance	118	112	99	92
Banking	47	42		
Insurance	10	9	1	
Transportation	11	9	4	2
Total	615	563	335	227

Thus in a period of 27 months the number of commercial paper issuers rated by NCO had increased by 388 or 271 percent. Further, by June 1, 1970, this number had increased to 647 issuers.

Included in this group of 615 issuers were Penn Central, King Resources Co. and Four Seasons Nursing Centers of America, Inc. all of which received a "prime" or highest possible rating.[1]

The relationship between NCO and the Transportation Co. which began in July 1968 was the customary one, described previously, between an issuer of commercial paper and NCO. After the execution of the subscription agreement and presumably after a customary review by NCO, the Transportation Co. was assigned a "prime" rating. This rating was listed by NCO and disseminated to all subscribers to its rating service.

Additionally, certain subscribers could at their election receive special service from NCO which consisted of a more extensive analysis of the issuer. In the case of Penn Central this would consist of excerpts from the latest annual report and interim financial data, if any, published by the issuer. The only other information contained in this report to subscribers not also contained in the annual report or interim financial statements were the rating classification by NCO, the identity of the dealer handling the paper and condensed information regarding the bank lines of credit available to the issuer, names of the lead banks, and amount of available credit, if any, from such banks.

All of the foregoing information plus, in the case of Goldman, Sachs, more detailed and current financial data was also customarily available to the dealer in the paper who also provided similar information to its customers.

Furthermore, the data contained in these NCO releases, except for the specific items heretofore mentioned, does not differ in any ma-

[1] It is interesting to note that not only was NCO's estimation of the quality of the notes issued by King Resources and Four Seasons deficient, but also that certain of such notes of both entities had a stated maturity of more than 270 days which would not qualify same for the statutory definition of commercial paper and exemption from registration.

terial way from that which Penn Central itself publicly disclosed either in annual or quarterly reports or in press releases which it issued. Moreover, none of these releases contains information as of a date prior to such public release by Penn Central. In fact, most of the data contained in the NCO releases is a mere reprint of Penn Central press releases or excerpts from annual reports.

Preliminary to a specific examination of NCO activities in rating the Transportation Co.'s commercial paper it is necessary to examine the standard or customary operating procedures at NCO during this period.

On September 15, 1969, Rudolph G. Merker was assigned as vice president in charge of NCO's commercial paper rating service. Prior to the assignment of Merker, responsibility for operation of this department had been assigned to Allen Rogers (now deceased.) However, Rogers had only been physically present in NCO's office twice since January 1965, preferring, apparently because of illness, to do his work from his home. The other analysts employed by NCO were located in the Manhattan office and the number of these individuals varied from three to four during this period.

Merker had previously been employed by D & B as manager of the retail and wholesale division of NCO, which apparently is part of the traditional D & B retail credit reporting system. Merker had been employed by NCO for 42 years, primarily in the retail credit reporting area. Merker has no college education and is not a chartered financial analyst. Prior to becoming head of the commercial paper division of NCO, Merker had very limited experience in the commercial paper rating area.

Merker stated that he was to assume Rogers' supervisory responsibilities, but that he did not know why he in particular was selected for this position. The following colloquy is illustrative of the conditions prevalent at NCO during this period:

Question. When you assumed your responsibilities, were you instructed or informed as to what these responsibilities would be specifically, and if so, by whom were you informed?

Answer. No; it was not spelled out.

Question. How were you aware of what your responsibilities and duties would be?

Answer. Well, it was just that being a department head, I knew what the responsibilities of a department head had been at NCO.

Question. At the time you assumed your responsibilities, did you have any conversation or meeting with Mr. Rogers to explain what he expected of you and what you expected of him?

Answer. No; not along these lines; no.

Question. How was it determined what responsibilities you would have and Mr. Rogers would have after you assumed your new position?

Answer. Well, he was a consultant and he was guiding me in my new position as director of commercial paper.

Question. At the time you assumed your responsibilities, were there any written policies or operations manual for the different responsibilities in NCO?

Answer. No; nothing in writing.

Question. How did you become familiar with your duties and the manner of discharging them?

Answer. Just by working with them.

Question. With whom?

Answer. With the problems and the reports and inquiries, and the workload of the day; and guiding and calling Allen Rogers and having his long years of knowledge in the department.

It would seem apparent from the foregoing that NCO's commercial paper department was relatively disorganized and of scant importance

in the D. & B. corporate complex as the person selected to manage same is a veteran functionary of limited skills and experience in this area and as he received no training or ongoing guidance in the performance of these duties.

In any event, Merker was responsible for the daily activities of the commercial paper division subject to the overall supervision of Eugene Schenk, president of NCO. Merker described the daily activities of his department as essentially consisting of supervising the activities of a limited number of analysts—three or four during the period from September 1969 to June 1970—who reviewed files, interviewed prospective issuers and responded to inquiries from subscribers to NCO's rating services.

Merker indicated that the analysts in rating the commercial paper would consider the issuer's annual reports and general operating statements to determine the issuer's liquidity. The analyst would individually review the issuer and assign a rating. However, the same analyst would not necessarily continue to be responsible for the rating of a particular issuer or a specific group of issuers. Thus, this responsibility would be rotated among the various analysts depending upon their availability and workloads. Prior to March 1970 there was no individual responsibility, for as Merker states:

> * * * we didn't have this individual control. It was a case of taking the reports and writing them as they became due to be written but no accounts were assigned to any specific analyst.

It should be noted that the system of rotating responsibility for assigning and/or reviewing the rating of issuers necessarily resulted in varying degrees of familiarity and expertise about such issuers by the NCO analysts.

In the ordinary course of rating commercial paper the issuer would enter into a subscription agreement whereby the issuer would agree to provide NCO with information which would differ in no material way from that information provided by the issuer to its line banks. This information would normally consist of the company's annual fiscal report, quarterly reports, profit-and-loss statements and press releases.

It was normal procedure for NCO to agree with the issuer that a specified officer of the company would provide the aforementioned information to NCO and be available to answer inquiries from NCO.

Normally, NCO, after having had an opportunity to review the aforementioned material might have occasion to personally contact the financial officers of the issuer for purposes of clarification.

However, it should be noted that NCO would not ordinarily consider whether or not the issuer had conformed to any or all applicable regulatory requirements prior to the issuance of the paper. The reason for this was that NCO was concerned primarily, if not exclusively, with the financial condition of the prospective issuer rather than the regulatory environment in which it might operate.

Moreover, the information that NCO would normally obtain in order to issue or continue a rating would not differ in content, detail or timeliness from that which was publicly available except as Merker stated:

> * * * bank information, the individual bank lines from an individual bank for that particular issuing company, the amount outstanding in bank lines, amount owing, and the high and low in bank borrowings for a period of time, either three months or it could be 6 months.

Merker also indicated that this information would be provided in the ordinary course to NCO by the banks without the need for prior authorization by the issuing company. However, this bank checking, if it did occur, would be quite infrequent, not even as often as annually.

Merker summarized the NCO prime rating as follows:

> The NCO prime rating for a commercial paper issuer is giving our opinion of the liquidity of the company in that the commercial paper notes in our opinion would be met at maturity.

The NCO prime rating would be assigned after a review by NCO analysts of the issuer's financial statements. However, in making these determinations NCO did not have any internal guidelines or standard which it required issuers to meet; that is, standards regarding liquidity ratios, asset/liabilities ratios, quick capital ratio, or any other type of objective statistical stanard.

Further, NCO regarded "liquidity," "bank support" and "operating performance" as the most important factors in assigning a rating. While Merker never specifically defined what NCO considered liquidity to be, his understanding of liquidity would appear to be the ability of the issuer to repay any outstanding amount of commercial paper at maturity.

NCO regarded "operating performance" as relating to the profitability of the issuer's operations for a period of time and "bank support" as the lines of bank credit available to "support" commercial paper.

NCO regarded 100 percent bank line coverage as desirable but not required in all instances. The percentage of bank line credit could even be 50 percent depending upon the issuer. Moreover, these lines of credit were not required to be confirmed or revolving, but merely unconfirmed lines would suffice to meet this NCO requirement.

NCO considered other factors also in making its credit determination. In particular, NCO considered the issuer's working capital position indicative of the issuer's ability to repay the commercial paper notes at maturity.

NCO defined "working capital" as current assets less current liabilties, including that portion of long-term debt due within 1 year. A concomitant part of this analysis of "working capital" was an evaluation of the issuer's ability to meet its current debt through cash flow. However, this cash flow was defined by NCO to include not only cash generated through operations but also the ability to raise short-term debt capital. Moreover NCO did not require any minimum dollar amount of working capital.

Further it is important to note that NCO did not require that the issuer's current assets exceed its current liabilities, although commercial paper itself is a current liability. NCO would also consider the availability of other assets which might be utilized to collateralize loans or which might be available for sale, if necessary, to raise capital.

NCO did not, however, require that the issuer have any specific ratio of assets which would be unencumbered by mortgage or lien and available for such use. Moreover, apart from reviewing the balance sheet, NCO would not confirm the amount and types of assets available for collateralization or disposition by sale, either from the issuer or its banks.

NCO also considered the investments of the issuer in securities of subsidiaries, affiliates, and unrelated parties, account or trade receivables, and investments in equipment or inventory.

NCO would not however inquire whether there were any restrictions on such investments (e.g. "letter" stock) or whether such investments had been used as collateral for loans, nor would NCO determine whether such investments were marketable or at what price, if any, these were marketable. As NCO stated, it was concerned solely with "the mere existence" of such investments.

Although NCO did state that it would consider the collectability and terms of payment of receivables, as well as encumbrances on inventory or equipment, its information would be provided by the issuer and would not be confirmed with any other source, for example, equipment trustees.

A further element in the NCO analysis is an "examination" of the corporate complex if an issuer should be part of same, for example, Penn Central Transportation Co. and Penn Central Co. NCO would evaluate the corporate complex, even though in the present market the issuer of the paper is solely responsible for its repayment, and no subsidiary, parent of affiliate guarantees repayment of principal and/or interest.

It should be noted moreover that NCO at this time did not consider any debt ratings of the issuer's securities, by either Standard & Poor's or Moody's, even though Moody's, like NCO, was a subsidiary of Dun & Bradstreet.

While the foregoing discussion of NCO's mode of operation was gleaned from testimony taken from Messrs. Merker and Rogers it is illustrative to consider the following excerpts from a letter written on January 29, 1969 by Louis C. Ward, manager, commercial paper division of NCO to Steven Clarke of the St. Louis Office of Goldman, Sachs & Co.[2]

> As mentioned in my telephone conversation with you last week, it is difficult to list each standard we use in evaluating the quality of commercial paper notes, due to the diverse industries on which we report.
>
> Even factors which may appear intangible to others, may be of pertinence in our reaching a rating decision, as per the examples I gave you on the phone.
>
> However, some of the major points we look at are the following:
>
> (*a*) We compare each issuer's various ratios against industry averages.
> (*b*) Judge progress at least over the previous 10 years.
> (*c*) Evaluate the company and its markets and the market's potential.
> (*d*) Make an appraisal of principal officers and their business experience.
> (*e*) Analyze the company's potential in future years.
> (*f*) Review bank support and periodically contact a sampling of the company's line banks, as deemed necessary.
>
> After reviewing the above, and taking into consideration the company's capital funds position (at least $25 million net worth of capital funds are requisite for "prime", $5 million for "desirable", $1.5 million for "satisfactory"), we then determine the classification.
>
> Another requirement we have is direct contact and discussion with financial management of the company, at least once a year when they are in New York to see the banks.
>
> Occasionally, a nationally known firm seeks to enter the market, but somehow does not measure up to our evaluation of a prime company. Recognizing the questionable acceptance by the market were we to rate it as less than prime, we endeavor to persuade it to delay its plans to issue, until the particular problem we feel it has is alleviated or corrected.

[2] It should be noted that Clarke attached a photocopy of this letter to a letter he wrote on January 21, 1970 to W. N. Fedde[illegible]peel, comptroller of the Granite City Steel Co. of Granite City, Ill., as part of an explanation of what NCO was and what services it performed.

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If the company, or dealer, decides to issue, anyway, we either withhold a rating completely or rate it as less than prime.

We feel this approach is equitable to the company and provides a measure of safety for the investor.

NCO had a continuing and extensive relationship with the major commercial paper dealers. This relationship consisted primarily of ongoing contacts between NCO and the dealers relative to information and/or opinions about specific issuers handled by the dealers. The dealers utilized NCO ratings as a marketing tool in offering commercial paper to their customers since many customers, particularly nonfinancial institutions, were required by statute or resolutions of their boards of directors or trustees, to purchase only that commerical paper which was rated prime by NCO, then the only national commercial paper-rating service. Due to the importance of an NCO rating, preferably a prime rating, dealers would require their issuers to obtain (at the expense of the issuer) a rating from NCO.

The largest and most influential commercial paper dealer is Goldman, Sachs & Co., which started as a commercial paper dealer and later expanded into a full-line broker-dealer. Goldman, Sachs was a subscriber to NCO's rating services and its issuers, whenever possible, obtained an NCO rating. Goldman, Sachs, as a customary part of its marketing of commercial paper, would communicate, orally and in writing, the NCO rating of the issuers it handled.

NCO personnel, in particular Merker, were acquainted with and had frequent contacts with Goldman, Sachs.[3] This relationship with Goldman, Sachs did not differ in any material way from those maintained by NCO with other commercial dealers. It apparently consisted primarily of frequent telephone conversations between NCO and Goldman, Sachs and the receipt by NCO of Goldman, Sachs' information sheets about the issuers handled by that firm.

The information sheets referred to were prepared by Goldman, Sachs and distributed to their customers. These were a short precis of the issuer and, according to NCO, did not contain any more extensive information or any more current information than that which was publicly available. Further, Goldman, Sachs did not explicitly make any evaluation on these sheets of the credit-worthiness of their issuers.

During the period from September 15, 1969, to June 1970, Merker was primarily responsible for the rating of Penn Central's commercial paper.[4] He stated that the reason why he became directly responsible for the Transportation Co. rating was: "Well, I had concern, but I was not overly concerned about it, and I was watching it."

When asked to explain the reasons for his concern Merker replied:

> The bottom line was on the downgrade, and the railroad company was losing money very definitely, and it was a case that had to be watched very closely.

However, it should be noted that during this period Merker could not recall any other issuers for which NCO had the same concern. While Merker stated that his assumption of responsibility for the Transportation Co. rating was coincident with his becoming head of the NCO rating service on September 15, 1969, the first indication of any activity by him in this area was on October 2, 1969.

[3] The individuals at Goldman, Sachs were Robert G. Wilson, partner in charge of the commercial paper department of Goldman, Sachs; George Van Cleave, Wilson's assistant; Jack Vogel, the chief credit analyst of the commercial paper department; and Walter Fekula, a credit analyst.

[4] It is significant to note that Merker could not recall any other issuer for which he had the primary responsibility of rating during this period.

Merker's concern was prompted by a telephone conversation with Rogers who discussed an unfavorable item about Penn Central appearing in the Robert Metz column in the New York Times of that day. After receiving this information Merker reviewed the June 30, 1969, data in Moody's Transportation Manual which disclosed declining profits on a consolidated basis and a loss for the Transportation Co. itself for the 6 months ended that day. On October 3, 1969, Merker spoke with Jack Vogel of Goldman, Sachs regarding Penn Central. Vogel stated that he was not concerned about the 6-month results nor the unfavorable items in the New York Times. With respect to this conversation with Vogel, Merker testified as follows:

Question. Did you rely on Mr. Vogel's comments?
Answer. Yes; I did.
Question. Did you have any basis for relying on his comments?
Answer. He is a responsible man and well recognized in the commercial paper market.
Question. You were aware though, I assume, that at the time he was working for the dealer in Penn Central commercial paper and as such it would seem to me that he would tend to be as favorable as possible on the security. Did you take this into consideration?
Answer. I do not think that Jack would have misled me.
Question. Did you see any conflict of interest in his position in that he is handling and his organization is selling this particular issue and you are asking him for his opinion on paper which they are selling on a continuing basis?
Answer. No; I didn't see any conflict of interest, no.

The reason for Vogel's lack of concern was the existence of bank lines of credit of $300 million available to the Transportation Co. Merker, however, did not inquire as to what amounts were then available or what conditions, if any, were applicable to the availability of same.

After speaking with Vogel, Merker wrote to Jonathan O'Herron, Penn Central's vice president (finance) and asked for interim operations figures, a list of banks of Penn Central's and bank credit lines and the high and low borrowings and other short-term debt. Merker received the requested information from O'Herron in October 1969. Merker stated that in reviewing the Transportation Co. file: "* * * I saw no need for action as far as the rating was concerned."

On October 28, 1969, NCO issued a release to its subscribers on the Transportation Co., which gave consolidated earnings and revenues for 9 months of 1969 which indicated a downward trend. NCO however, then stated:

> From this office's point of view the commercial paper standing of this company is not affected because of the readily salable assets of the subject, if the need arose.

On October 29, 1969, NCO issued another release on Penn Central which stated in part:

> Jonathan O'Herron vice president—finance, has advised that the company has available a $100 million line of credit to support its commercial paper position.

At this same time Penn Central had approximately $150 million in commercial paper outstanding.

On November 6, 1969, the ICC authorized Penn Central to issue another $50 million in commercial paper, increasing the authorization to $200 million. The ICC's concern with the use of short-term debt has already been described.[5] However, despite the fact that this

[5] See discussion at page 280.

concern was expressed in a public document, NCO never reviewed it and was unaware of the serious implications of the ICC statement.

On November 26, 1969, Penn Central announced that for the first time in its history it was suspending payment of quarterly dividends. This action was taken by Penn Central "* * * to conserve cash and in keeping with responsible management." Apart from notifying its subscribers of this already public information, NCO did not take any action with respect to the company's rating.

In December 1969, Pennco for the second time in 6 months was used as a financing vehicle to raise money for the Transportation Co.[6] NCO took no action regarding a review of the Transportation Co. rating, even though these facts, evidencing lack of financing capability by the parent Transportation Co., were publicly stated in the offering circular for the debentures issued by Pennco at this time.

On February 4, 1970, Penn Central announced preliminary 1969 results on a consolidated and unconsolidated basis. On a consolidated basis Penn Central had earnings before extraordinary items of $4.4 million in 1969 as compared with $87 million in 1968. The Transportation Co. lost $56.3 million, compared with only $5.1 million a year earlier.

When asked what NCO did upon receipt of this information Merker replied: "We had discussed it among the analysts and decided to wait for the balance sheet of December 31, 1969."

According to Merker, NCO did nothing else about Penn Central at this time. However, on February 5, 1970, Allen Rogers of NCO spoke with Jack Vogel of Goldman, Sachs. According to Vogel their conversation was as follows:

> Alan Rogers of NCO called me today to express concern over the sharply reduced earnings announced in the newspapers today. He asked if we were continuing to sell the company's notes and whether I felt that Penn Central had sufficient resources which could be converted to cash to pay down debt, if necessary. I said that Goldman, Sachs was continuing to sell the commercial paper notes of Penn Central Transportation Co. In answer to question No. 2, I suggested that the company has a number of valuable properties and securities, and that I was certain that something could be worked out should it ever become necessary. Alan said that as a result of my comments, he would continue to carry Penn Central Transportation Co. as a prime name.

In his testimony Rogers stated that he could not recall such a conversation, but he admitted that it was possible that NCO continued rating the Transportation Co. as prime as a result of Goldman, Sachs' confidence in it.

In March 1970 Penn Central released the audited 1969 results and a balance sheet as of December 31, 1969. This report confirmed in detail the preliminary results announced on February 4, 1970.

Upon receipt of this report NCO reviewed same. However, this report was reviewed by a committee of NCO personnel, namely Merker, Rogers, Dan Cahalane (a junior analyst), and Eugene Schenk. NCO did not, however, take any action whatsoever with respect to the Penn Central rating until April 23, 1970. On that day Merker wrote to O'Herron as follows:

> We are presently reviewing our classification. Because of the very substantial losses recorded last year; and it is apparent that the operating performance for the first quarter of the current year was rather disappointing for the parent organization just reported a loss of $17.2 million, we would appreciate your assistance in furnishing some additional information.

[6] See section on Finances in Part I of this report.

Mr. O'Herron, in the event that additional capital must be raised, what assets would be available for this purpose? Also, please tell us how the funds from the sale of commercial paper notes are being used.

This information, and any other comments that you care to make would be very helpful in our analysis.

Unfortunately for NCO, O'Herron never responded to this inquiry even though Merker sent a followup letter on May 18, 1970.

On April 22, 1970, Penn Central announced a first-quarter loss of $17.229 million compared with consolidated net income of $4.601 million for first quarter 1969. The Transportation Co. had a first quarter loss of $62.7 million compared with a loss of $12.8 million in 1969. And it was obvious that even these substantial losses were not reflective of the underlying situation since they included the impact of large reported profits on two transactions.[7]

During the period from April 23 to May 18, 1970, NCO discussed the Penn Central situation but did not ever consider lowering the company's rating from prime, nor did they take any further action. In fact, the primary topic of discussions during this period was the failure of Penn Central to reply to the letter of April 23.

Moreover, NCO was not aware that the last sale of the Transportation Co.'s commercial paper occurred on May 1, 1970; that Goldman, Sachs ceased to offer the company's commercial paper on May 20, 1970; and that as of April 23, 1970, Goldman, Sachs required its sales personnel to inform prospective customers of the Penn Central earnings announcement of April 22, 1970.

NCO was unaware that the May 12, 1970, offering circular for the Pennco $100 million debenture offering contained the following statement at page 4:

> At May 8, 1970, railroad had outstanding $152.1 million of commercial paper pursuant to orders of the Interstate Commerce Commission authorizing up to $200 million of such paper. To the extent that commercial paper outstanding has been less than $200 million, railroad has borrowed under a $50 million bank line of credit. As additional backing for its commercial paper railroad has available $50 million under the credit agreement referred to under introduction. Between April 21, 1970 (the day preceding the announcement of the operating results of railroad for the 3 months ended March 31, 1970) and May 8, 1970, maturities and payments of commercial paper exceeded sales of commercial paper by $41.3 million. Of the commercial paper outstanding at May 8, 1970, approximately $75 million matures prior to June 30, 1970, and the balance at various dates to December 16, 1970.

Although this was a preliminary offering circular, it should have been available to NCO pursuant to their subscription agreement with Penn Central. NCO, however, did not become aware of the fact that the company's redemptions of commercial paper were exceeding sales until the appearance of a Wall Street Journal acticle on May 27, 1970.

On May 15, 1970, Standard & Poor's downgraded the bond rating of the Pensylvania Company and its proposed $100 million debenture offering. On May 18, 1970, Merker spoke with Jack Vogel of Goldman, Sachs. According to Vogel, Merker asked him if he still felt the same way about Penn Central in view of Standard & Poor's rating change. Volgel replied affirmatively and Merker accepted his explanation for the change.[8]

On May 28, 1970, Merker spoke with Jack Vogel about Penn Central. Vogel after stating that the Transportation Company had bank

[7] See discussion at page 54.

[8] Merker, however was unable to recall that the conversation took place and the content of same.

credit still available to redeem commercial paper, also suggested that Merker check the May 12th offering circular.

Merker did obtain a copy and on June 1, 1970, after internal discussions at NCO between Merker, Schenk & Rogers, Merker called O'Herron asking for more information. O'Herron declined to provide same and this, coupled with the fact that the $100 million offering was aborted, prompted NCO to reserve Penn Central's rating pending further information. Effectively this meant that NCO while not refusing to rate the Transportation Company's commercial paper, was not assigning a rating for a limited period as well as downgrading it from prime.

After discussing this action with Vogel and O'Herron, NCO then issued a press release regarding this action. A mere 3 weeks later, Penn Central filed for reorganization.

Ex. PX-121: Memorandum from Wilson and Van Cleave to Weinberg dated September 10, 1969, "Commercial Paper Policy"

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MEMORANDUM

September 10, 1969

To: John Weinberg

From: Bob Wilson and George Van Cleave

Re: Commercial Paper Policy

Problem

It is our judgment that in order for Goldman, Sachs & Co. to not only maintain a $5-billion level of outstandings but increase that level to $6-billion next year, certain new policies will have to be instituted.

Pertinent Facts

I. The present $250MM inventory ceiling is proving inadequate at our present $5-billion level of outstandings. In 1967 when JHR and RGW obtained Management Committee approval to have an inventory of 10% of outstandings but not more than $250-million, our outstandings were at the $2 1/2 billion level.

II. Because of the tight credit we have experienced for the last four months, we have had difficulty in financing our positions at the $200-million level as well as for a few days at the $290-million level.

III. We anticipate our commercial paper outstandings to reach in excess of $6-billion in 1970.

IV. It is not uncommon for many of our large issuers to require $10-20 million apiece per day.

V. Our average maturities are getting shorter and this fact, coupled with the increased level of outstandings, means that GS&Co.'s average industrial maturities are approximating $100 million per day. In addition, there is approximately another $100 million of finance paper available each day.

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VI. Our selling day has been compressed by investors primarily to the hours of 10:30 to 12:30 New York time.

VII. A typical day means we will process over 500 sales, purchases and repo transactions.

VIII. We believe our phone and other communication systems are being strained at the present level of operation.

Alternatives

We have given serious consideration to a number of policy changes that could permit us to successfully compete and allow us to increase our outstandings to $6-billion. Listed below are the four important alternatives as we see them:

I. Authorize an increase in our commercial paper inventory ceiling to $3-400 million providing, of course, such positions can be financed.

II. Continue to insist on handling an issuer exclusively, but begin working on a best efforts basis.

III. Gradually reduce the number of accounts we are handling to the 50 or 60 largest issuers which account for approximately 75% of our outstandings and handle these primarily on a "tap" basis.

IV. Permit issuers to use other dealers in addition to ourselves when we are unable to handle their requirements.

All of these alternatives have disadvantages which are briefly indicated below:

I. Increased Ceiling - An increased ceiling would expose Goldman, Sachs to larger market risks, greater interest expense and could present even greater financing problems. It should be noted that in the first six months of this year the markup of paper due to rate increases cost Goldman, Sachs approximately $800,000, and for the same period we had a negative financing carry of $400,000.

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II. Maintaining exclusivity but working on a best efforts basis could mean the loss of an indeterminied number of accounts who heretofore have relied on Goldman, Sachs to cover all maturities.

III. By reducing the number of accounts we handle to 50 or 60 of the largest accounts, we might lose the potential new business benefits from approximately 250 existing accounts. There is no question we would create some animosity by dropping 250 accounts. Furthermore, Goldman, Sachs & Co. would be vulnerable in the future to these large issuing accounts refunding their outstandings in the long-term market.

IV. By permitting split accounts we lose the credit control over the account. Furthermore, our percentage of the market would decline and we would literally put the new commercial paper dealers in business at no cost. Probably during tight money periods split account issuers would want to rely heavily on GS&Co. Such a "free-for-all" market would add even greater pressure to spreads.

Recommendation

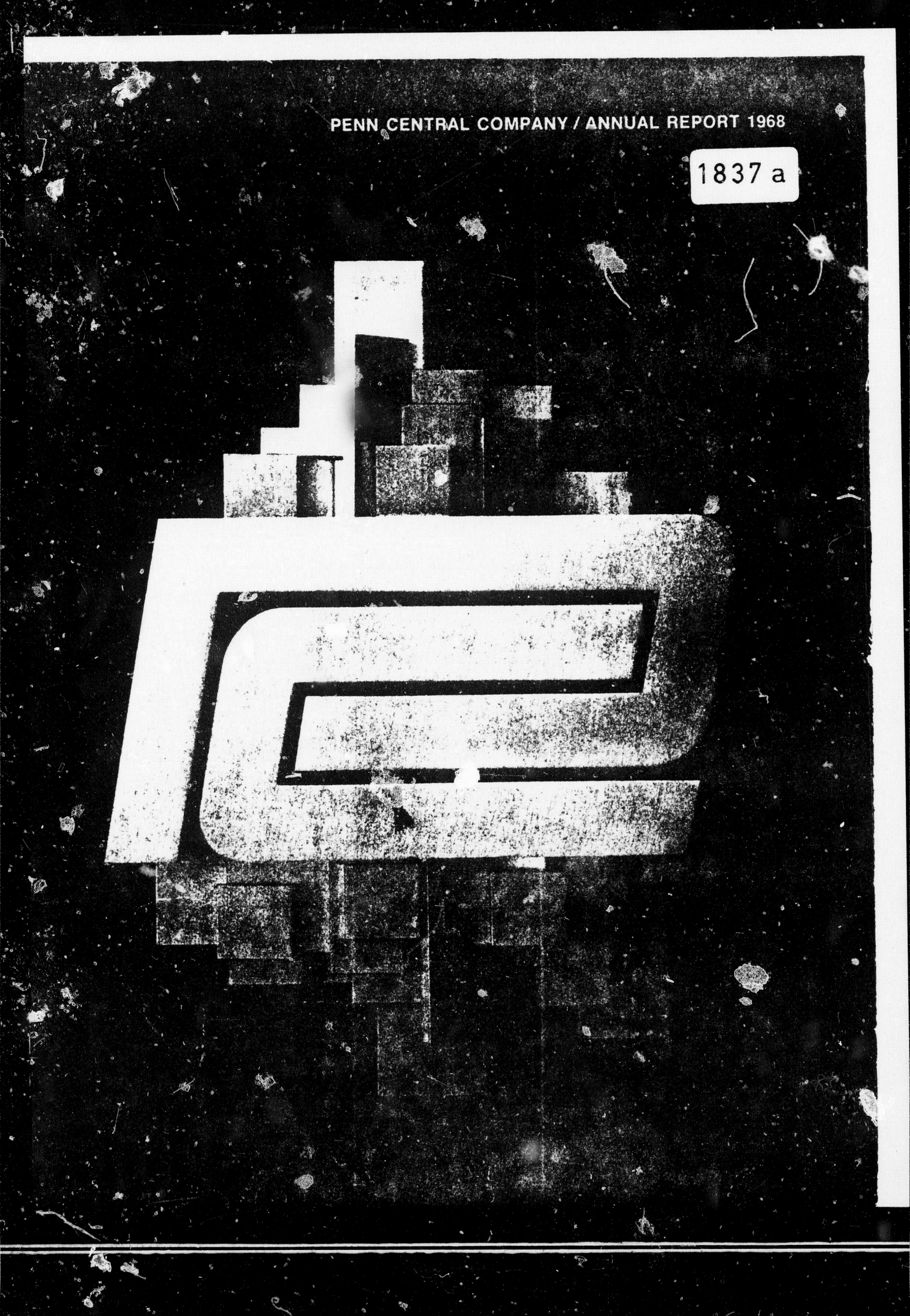
We recommend in order of desirability alternatives I, II and III. We are very much opposed to alternative IV.

B. DEFENDANT'S EXHIBITS

Ex. A-21: Penn Central Company Annual Report
for 1968 dated March 17, 1969

PENN CENTRAL COMPANY / ANNUAL REPORT 1968

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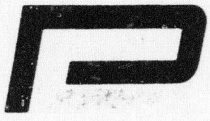
The Cover Sculpture symbolizes Penn Central as a strong and dynamic company, supported by the many different elements that comprise its diverse interests. The center gatefold and photographs throughout the Report depict various aspects of our railroad service to major customers and activities of our non-railroad subsidiaries. Sculpture and photography by Seymour Mednick.

A Supplement is available containing additional statistics and financial data. If you wish a copy, please address your request to the Secretary, Penn Central Company, Six Penn Center Plaza, Philadelphia, Pa. 19104.

The Annual Meeting of Stockholders will be held in the Philadelphia Civic Center, Civic Center Boulevard at 34th Street, Philadelphia, Pa., at 2 p.m., Tuesday, May 13, 1969.

Stock Transfer Offices—1808 Transportation Center, Six Penn Center Plaza, Philadelphia, Pa. 19104; Room 1010, 466 Lexington Avenue, New York, N.Y. 10017; The First National Bank of Boston, 45 Milk Street, Boston, Mass. 02109; Continental Illinois National Bank & Trust Company of Chicago, 231 South LaSalle Street, Chicago, Ill. 60604.

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Stuart T. Saunders *Alfred E. Perlman*

Letter to the Stockholders

Penn Central's 1968 consolidated earnings of $90.3 million, or $3.91 per share, underscore the importance of our diversification program. This 27 per cent increase over ordinary net income for 1967 was produced by our investments in pipelines, hotels, industrial parks, air rights developments and other non-railroad enterprises.

Our real estate subsidiaries—Great Southwest in Texas and Georgia, Macco in California, and Arvida in Florida—together with Buckeye Pipe Line Company, more than doubled their contribution to net income in 1968. It totalled $44.2 million, an increase of 101 per cent over the $21.9 million for 1967.

This strong performance offset a loss of $2.8 million for our parent railroad company. Wages, fringe benefits, and cost of supplies continued to rise and were only partially absorbed by freight rate increases in June and November. Strikes and threats of strikes in basic industries, such as steel, coal and automobile manufacturing, had a detrimental effect on our freight revenues.

Nevertheless, 1968 was productive and encouraging in progress towards consummating our merger, which became effective on February 1, 1968. We finished the year ahead of our schedule for transforming two formerly competitive railroads into a single entity compatible in philosophy, practices and objectives.

We have encountered a number of operating problems in combining road operations and consolidating facilities. Some of these problems are still to be resolved, but we are certain that we have turned the corner and that the worst is behind us. Each step in the carefully planned unification of our railroad system will have cumulative benefits both to our company and to our customers.

We were burdened with approximately $75 million in merger start-up costs and losses, many of which are non-recurring. This amounts to about $3.25 per share. Taking these unusual expenses into account, our railroad results for 1968 were better than those for 1967.

In 1968, we paid out approximately $35 million for personnel costs connected with the merger, in the form of severance pay, relocation of employes, overtime payments and protective allowances. We completed our new $29 million freight classification yard at Selkirk, near Albany, New York, and our $14 million coal pier at Ashtabula, Ohio. Altogether in 1968, we invested $334 million for railroad equipment and facilities.

Freight sales and marketing activities were reorganized to provide shippers with more efficient service. Integration of our computer and electronic data processing network is nearly complete. The system is now reporting information much more accurately and promptly for transportation performance, customer billing, car tracing and other functions vital to first-class freight service.

Inclusion of the New Haven Railroad on December 31 added about 1500 miles of line to our rail network. We have a definite program for rejuvenating the New Haven and making it a viable and productive part of our system. We have already begun to restructure service and to build upon the sound base of public support which

is vital to the Company's long-range plans.

We are determined to reduce our passenger deficit to manageable proportions. On a fully allocated basis, this deficit exceeded $100 million in 1968, but it would have been some $40 million greater if we had not initiated a vigorous campaign to cut these losses.

Our policy with regard to passenger service is to improve essential service but to phase out unneeded and unused trains as rapidly as possible. Wherever we are required by regulatory agencies to operate trains as a public service, we are seeking Federal, state and local assistance in meeting these costs.

The railroad industry is advocating legislation to provide Federal funds to the railroads for the purchase of new passenger equipment and to underwrite losses on passenger service which the Government requires the railroads operate. Such a program would help to place the nation's railroads on a more equitable footing with other modes of transportation which have long benefitted from governmental aid.

Penn Central is pioneering a tremendous breakthrough in railroad passenger service with the successful inauguration of high-speed Metroliner service between New York and Washington. The first of these new trains began operation in January, 1969. They are exceptionally well patronized, and are attracting new business. We expect to get the entire 50-car fleet into service this summer.

We hope that this Annual Report will help our stockholders to understand more thoroughly the diversified nature of the new Penn Central. Our company has grown from traditional railroad operations, which utilize about half of our total assets, into a broadly based organization with greatly increased earning power.

Penn Central has two clearly defined ways in which it can accomplish sound and steady growth—one as a transportation system and the other as a diversified corporation strengthened by many types of investments.

We are committed wholeheartedly to our responsibilities as a common carrier. Our railroad system is one of our most valuable assets and offers enormous potential for growth and profitability.

During 1969 we plan with your concurrence to establish a holding company. Details of this proposal are described fully in proxy material. This corporate structure will facilitate future acquisitions through securities of the holding company. The railroad will become a subsidiary of the new parent holding company.

From the standpoint of management, we will be able to measure more effectively the performance of each enterprise and to define administrative responsibilities more clearly.

This move is consistent with modern business practice and will more accurately reflect the broader scope of Penn Central. It will give us greater flexibility to develop our transportation system and to pursue our diversification program.

The outlook for 1969 is brighter than it was for the past year, especially with regard to our railroad system. We expect to have smoother and more efficient operations from the experience we have gained and the physical improvements we have made. We are projecting a gain of at least $65 million in gross revenues from the higher level of freight rates, and we anticipate a substantial increase in traffic volume.

We have complete faith in the wisdom of our merger and in our ability to achieve, much quicker than originally anticipated, the projected merger economies and efficiencies. We are certain that we also can provide even better transportation service than was envisioned when our merger was initiated.

Sincerely,

Stuart T. Saunders,
Chairman of the Board

Alfred E. Perlman,
President

March 17, 1969

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DIRECTORS

Stuart T. Saunders
Chairman of the Board, Penn Central Company, Philadelphia, Pa.

Alfred E. Perlman
President, Penn Central Company, New York, N.Y.

William L. Day
Chairman of the Board, The First Pennsylvania Banking and Trust Co., Philadelphia, Pa.

John T. Dorrance, Jr.
Chairman of the Board, Campbell Soup Co., Camden, N.J.

Otto N. Frenzel
Chairman of the Board, Merchants National Bank and Trust Co., Indianapolis, Ind.

R. Walter Graham, Jr., M.D.
Management of Personal Investments, Baltimore, Md.

Isaac B. Grainger
Member of Advisory Committee to the Board of Directors and Retired President of Chemical Bank New York Trust Company, New York, N.Y.

Edward J. Hanley
Chairman of the Board, Allegheny Ludlum Steel Corp., Pittsburgh, Pa.

Gaylord P. Harnwell
President, University of Pennsylvania, Philadelphia, Pa.

James S. Hunt
Chairman of the Board, Coral Ridge Properties, Inc., Coral Springs, Fla.

Fred M. Kirby
Chairman of the Board, Alleghany Corporation, New York, N.Y.

Seymour H. Knox
Chairman of the Board, Marine Midland Trust Co. of Western New York, Buffalo, N.Y.

Franklin J. Lunding
Chairman of the Finance Committee, Jewel Companies, Inc., Chicago, Ill.

Richard K. Mellon
President and Governor, T. Mellon & Sons, Pittsburgh, Pa.

Robert S. Odell
President, Allied Properties, San Francisco, Calif.

Thomas L. Perkins
Counsel, Perkins, Daniels & McCormack, New York, N.Y.

William G. Rabe
Vice Chairman of the Board, Bank of Palm Beach & Trust Co., Palm Beach, Fla.

R. Stewart Rauch, Jr.
President, The Philadelphia Saving Fund Society, Philadelphia, Pa.

R. G. Rincliffe
Chairman of the Board, Philadelphia Electric Company, Philadelphia, Pa.

Carlos J. Routh
President, Pittston Company, New York, N.Y.

John M. Seabrook
Chairman of the Board and President, International Utilities Corporation, Philadelphia, Pa.

James M. Symes
Chairman of the Board-Retired, The Pennsylvania Railroad Co., Philadelphia, Pa.

Daniel E. Taylor
Management of Personal Affairs, West Palm Beach, Fla.

SYSTEM OFFICERS

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Stuart T. Saunders
Chairman of the Board

Alfred E. Perlman
President

David C. Bevan
Chairman of the Finance Committee

David E. Smucker
Executive Vice President

Henry W. Large
Executive Vice President

Robert W. Minor
Senior Vice President

Guy W. Knight
Senior Vice President

John E. Chubb
Vice President-Baltimore, Md.

Edward L. Claypole
Vice President-Transportation

asil Cole
Vice President-Executive Department

Leo B. Fee
Vice President-Employee Relations

Robert G. Flannery
Vice President-Operation

A. Paul Funkhouser
Vice President-Coal and Ore Traffic

William R. Gerstnecker
Vice President-Corporate

Robert Haslett
Vice President-Investments

Samuel H. Hellenbrand
Vice President-Industrial Development & Real Estate

Ferdinand L. Kattau
Vice President-Management Planning & Development

William F. Kirk
Vice President-Mail, Express & Highway Services

William A. Lashley
Vice President-Public Relations & Advertising

James A. McDonald
Vice President-Executive Assistant to President

John G. Patten
Vice President-Freight Sales

John B. Prizer
Vice President and General Counsel

Malcolm P. Richards
Vice President-Purchases and Materials

James R. Sullivan
Vice President-Marketing

William H. Tucker
Vice President-New England

George C. Vaughan
Vice President-Engineering & Equipment

Theodore K. Warner, Jr.
Vice President-Accounting & Taxes

James J. Wright
Vice President-Research

Charles S. Hill
Comptroller

Edward A. Kaier
General Counsel

Bayard H. Roberts
Secretary

John H. Shaffer
Treasurer

REGIONAL OFFICERS

John H. Burdakin
Vice President & General Manager, Cleveland, Ohio

Howard C. Kohout
Vice President & General Manager, Chicago, Ill.

William B. Salter
Vice President & General Manager, Detroit, Mich.

George M. Smith
Vice President & General Manager, Pittsburgh, Pa.

Raymond C. Harrison
General Manager, Indianapolis, Ind.

Frank S. King
General Manager, Syracuse, N.Y.

Robert F. Lawson
General Manager, New York, N.Y.

John M. McGuigan
General Manager, Philadelphia, Pa.

Jeremy Taylor
General Manager, New Haven, Conn.

OFFICERS OF MAJOR SUBSIDIARIES

George S. Patterson
President, Buckeye Pipe Line Company, New York, N.Y.

Angus G. Wynne, Jr.
President, Great Southwest Corporation, Arlington, Texas

Brown L. Whatley
President, Arvida Corporation, Miami, Fla.

William C. Baker
President, Macco Corporation, Newport Beach, Calif.

Alphonse W. Salomone
President, Realty Hotels Incorporated, New York, N.Y.

Henry G. Allyn, Jr.
President, The Pittsburgh and Lake Erie Railroad Company, Pittsburgh, Pa.

Charles L. Towle
President and Chairman of the Board, Detroit, Toledo and Ironton Railroad Company, Dearborn, Mich.

John F. Nash
President and General Manager, Lehigh Valley Railroad Company, Bethlehem, Pa.

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FINANCIAL REVIEW

Penn Central's 1968 consolidated earnings of $90,273,000 increased 27.1 per cent over 1967 results of $71,003,000 from ordinary operations.

Consolidated earnings per share in 1968 were $3.91, compared with $3.08 in 1967.

Gross income from all sources of $2.125 billion represented an increase of 8.7 per cent from 1967 restated consolidated revenues of $1.955 billion.

Dividends to Penn Central stockholders continued at the 1967 level. Regular quarterly dividends of 60¢ a share were maintained for a total of $2.40 per share. This amounted to $55.4 million in dividends to shareholders.

The Pennsylvania Company, an investment holding subsidiary, had consolidated net earnings of $87.1 million in 1968, a rise of 42 per cent over earnings of $61.6 million the previous year. The Pennsylvania Company paid $24 million in dividends to Penn Central in 1968, after providing for debt service and dividends on preferred stock.

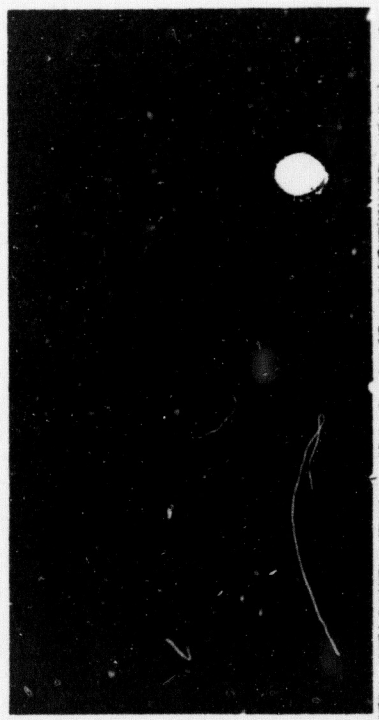
Earnings from Pennsylvania Company's diversified holdings continued to increase. Subsidiary non-railroad properties—Arvida Corporation in Florida, Great Southwest Corporation in Texas and Georgia, Macco Corporation in California and Buckeye Pipe Line Company in New York—contributed $44.2 million to 1968 net income, a rise of 101 per cent over the $21.9 million for 1967.

During the year, Pennsylvania Company sold 135,000 shares of Norfolk & Western Railway Company common stock at a profit of $10.3 million. In addition, we disposed of 80,000 shares under an arrangement for the exchange of 800,000 shares of N&W common stock for 4½ per cent N&W convertible subordinated debentures with par value of $104 million. A total of 320,000 shares has been exchanged to date, and all of the $41.6 million in debentures received for the stock have been sold.

Strick Corporation, a manufacturer of trailers and containers, was sold in December for cash and securities. The firm was acquired by the former New York Central Railroad in 1966.

Penn Central's parent railroad company operations in 1968 showed a loss of $2,773,000, compared with restated ordinary net income of $11,467,000 in 1967. This was due in part to heavy non-recurring expenses encountered in the initial stages of merger. Other factors affecting railroad earnings were increases in the passenger deficit, in equipment rents and in fixed charges. In addition to higher costs, the railroad also suffered revenue losses from labor difficulties that affected the steel and coal industries.

Penn Central acquired an interest of some 23 per cent in all Madison Square Garden Corporation enterprises. In exchange for our 25 per cent interest in Madison Square Garden Center, Inc., and 55 per cent interest in the adjacent Two Pennsylvania Plaza office building, Penn Central received 1,168,664 shares of Madison Square Garden Corporation common stock and 100,000 of its preferred stock, which, after approval of Madison Square Garden Corporation's stockholders, will be exchangeable for 1,151,000 shares of common stock. We will continue to receive a basic air rights rental for the new recreation center and office building which opened in February, 1968.



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		1968	1967
From the Earnings Statement	Total income—all sources	[redacted]	$1,955,241,000
	Depreciation, amortization and depletion		$ 134,537,000
	Interest and debt expense		$ 90,955,000
	Federal income taxes		$ 124,000
	Earnings from ordinary operations		$ 71,003,000
From the Balance Sheet	Total assets		$6,253,838,000
	Long-term debt—due within one year		$ 119,487,000
	—due after one year		$1,992,627,000
	Shareholders' equity		$2,903,009,000
	Number of shares outstanding		23,016,274
Per Share of Penn Central Stock	Earnings from ordinary operations		$3.08
	Cash dividends		$2.40
	All taxes		$6.37

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REAL ESTATE

Real estate continued to be a major factor in Penn Central's consolidated earnings in 1968. Total receipts from all Penn Central real estate operations and sales, both of railroad-related properties and subsidiary companies, amounted to $273 million last year, compared with $192 million in 1967.

During the year, we received about $40 million from the sale of more than 800 non-operating properties to industrial shippers, governmental authorities and other purchasers.

Rental income from some 18,000 tenants and concessions throughout the system, including our Grand Central-Park Avenue holdings, rose to more than $44 million. A multi-million dollar renovation program for our New York Hotel properties—the Barclay, Biltmore, Commodore and Roosevelt hotels—is being expedited.

Architectural plans for a 55-story office building to be built over Grand Central Terminal were submitted for approval to the Department of Buildings and the Landmark Preservation Commission of the City of New York.

Concession revenue development continued at Pennsylvania Station in New York. An agreement was made with Mid-City Associates under which they will create a modern shopping center adjacent to the Station by extending the concourse under their project for new stores, an office building and Bowery Savings Bank facilities to be constructed between 33rd and 34th Streets.

The Philadelphia Bicentennial Corporation proposes to use some portion of the 87 acres of air rights at Penn Central Station-30th Street and our North Philadelphia Station area as principal locations for an exposition in 1976 to celebrate our nation's 200th birth date. We are meeting with officers of the Corporation to determine whether such use of our property would be consistent with our concept of developing the 30th Street Station area into the transportation center for mid-city Philadelphia and to be certain that the property becomes a model of urban development.

In Pittsburgh, 86 per cent of the land for the 148-acre Penn Central Park redevelopment project is assembled. The Park's first project, a $50 million postal center, was announced by the Federal Government in May, 1968. Negotiations are under way with state and county officials for highway and rapid transit rights-of-way in the project area. We also are negotiating with city officials for location of Pittsburgh's new convention center and exhibition hall in the Park.

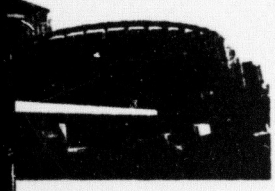
An agreement was signed with the U.S. Department of the Interior to convert Washington Union Station into a National Visitors Center within the next three years. This property was held by Washington Terminal Company, a 50 per cent-owned subsidiary. A new modern railroad passenger station will be built beneath a 4,000-car garage adjacent to the Center.

In Chicago, a third major office building is being constructed in the Gateway Center complex over Union Station, in which we have a 50 per cent interest. Two prime sites remain to be developed. All Penn Central passenger trains in Chicago were consolidated at Union Station to improve service. This paves the way for redeveloping LaSalle Street Station properties, which are 50 per cent Penn Central-owned.

In Cleveland and Detroit, marketing studies are being made of our major downtown properties to determine their maximum potential in redevelopment as multi use urban complexes.

Industrial Development Our industrial development department assisted in the location or expansion of 567 manufacturing plants in 301 communities on Penn Central lines during 1968. These plants are expected to produce annual revenues for Penn Central

rights over New York's uilt Pennsylvania Station are upied by Two Pennsylvania za and new Madison Square den Center.



Two new buildings have risen in Chicago's Gateway Center and a third is under construction over Union Station.



f $39.4 million from more than 171,000 arloads of freight.

In 1968, two major automobile companies started new plants on our line that re expected to generate new revenues to enn Central of more than $11 million nnually. Ford Motor Company is building 3-million-square-foot manufacturing, rvice, parts processing and redistribution enter that will employ 1,000 persons 20 iles southwest of Detroit. Chrysler Corpotion is constructing a 2.3-million-square-ot automobile assembly plant to employ 500 persons near New Stanton, Pa. Both ants are scheduled for completion in 1970.

A third automobile manufacturer, General otors Corporation, recently announced ans for a new 650,000-square-foot truck sembly plant and the construction of a 7-million-square-foot stamping plant at eir Lordstown, Ohio complex. Employent at this site will increase from 6,000 to ,000, and the facilities should be in eration in 1970.

VERSIFIED SUBSIDIARIES

ckeye Pipe Line Company Buckeye Pipe ne Company's consolidated earnings conued to grow in 1968, reaching a record 3,812,000 before provision of $590,000 r dividends on its preferred stock. This was increase of 1.5 per cent over its earngs of $13,604,000 in 1967, before provion of $324,000 for preferred dividends. ckeye's earnings have increased annually r the past 11 years.

This petroleum distribution network erates a 7,600-mile system of pipelines r transporting crude oil and refined oducts in nine states.

During 1968, Buckeye transported an erage of 42 million gallons per day crude oil and refined products, an inease of 10.8 per cent over 1967.

Over the past ten years, its gross investnt in plant and equipment has increased more than $125 million and now totals 09 million.

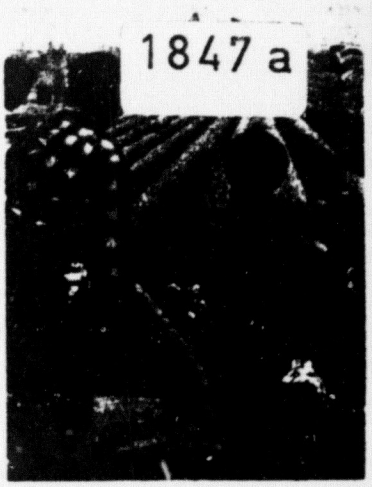
Buckeye's pipeline for jet fuel to New rk's Kennedy International Airport rries approximately three million gallons day and is expected to move more than ea million gallons per day by 1975.

Buckeye is also a major carrier of aviation fuel to Miami International Airport, Greater Pittsburgh Airport, and Air Force bases at Rome, N.Y., Homestead, Fla., and Tacoma, Wash. Kennedy and Miami airports ranked first and fifth, respectively, in fuel consumption by all U.S. airports in 1968. The company is studying the feasibility of connecting LaGuardia and Newark airports to its pipeline system.

Macco Corporation Macco Corporation's consolidated earnings of $21,021,000 in 1968, compared with $7,566,000 in 1967, an increase of 178 per cent. This wholly-owned real estate and land-development subsidiary has headquarters at Newport Beach, Calif. Macco has expanded its programs in residential housing and, in the second half of 1968, has broadened its operations to include commercial, industrial, apartment, and recreational developments. It is setting up its own companies and agencies for escrow, mortgage financing and insurance services.

In February, 1969, Penn Central announced its approval of the proposed merger of Macco into a wholly owned subsidiary of Great Southwest Corporation.

Great Southwest Corporation Net earnings for Great Southwest Corporation in 1968 reached an all-time high of $9,654,000 after provision for Federal income taxes, an increase of 122 per cent over restated



Volume of crude and refined products carried by Buckeye's pipelines reached a new high in 1968.

New Macco homes provide panoramic view of Southern California's Santa Ana Mountains.



BEST COPY AVAILABLE

1967 net income of $4,340,000. The company paid its first common dividend of $1.00 per share to stockholders in 1968.

Great Southwest, which is 80 per cent owned by Penn Central, is developing industrial parks in Dallas-Fort Worth, Texas, and Atlanta, Georgia.

Attendance at its family amusement parks, "Six Flags Over Georgia" and "Six Flags Over Texas" passed 3,300,000 during the year. The Georgia facility was sold but will continue to be operated by Great Southwest.

Arvida Corporation Arvida Corporation's net earnings for 1968 were $2,435,000 after Federal income taxes. This was more than double the 1967 net earnings of $1,060,000.

Arvida Corporation, in which Penn Central has a 59 per cent interest, owns and operates properties in four of Florida's fastest-growing areas—Dade, Broward and Palm Beach counties on the East Coast and Sarasota on the West Coast.

Real estate sales volume in 1968 of $15,211,000, up from $11,786,000 in 1967, was the highest in eight years. Sales included condominium apartment units, home sites and sales of land to builders and investors on both the Atlantic and Gulf Coasts.

In 1968, Arvida began construction of three additional condominium apartment buildings, Sabal Shores and Lake House South apartments at Boca Raton and Longboat Key Towers near Sarasota, which is Arvida's first condominium development on Florida's West Coast. The latter is situated in Longboat Key Club, the company's residential-recreational community which includes an 18-hole championship golf course, a recently completed clubhouse and improved sites for apartments, hotels and motels. Sales prices of the 336 apartments in the three condominium buildings planned amount to more than $20 million.

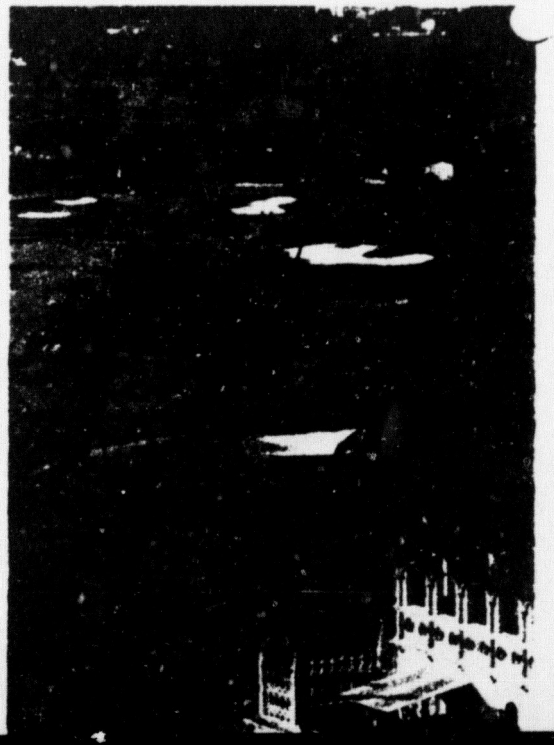
The Boca Raton Hotel and Club's program to increase its accommodations to a 700-room capacity will be completed in 1969. Already in use are a convention hall with a capacity for 1,500 people and an exhibit hall. The new 26-story guest-room Tower, with 251 rooms, will be completed for the 1969 season. A rental garden-apartment complex adjacent to the Boca Raton golf course will be ready in April, 1969.

Arvida also is progressing with the development of Boca Raton West, a 1,400-acre resort-residential community adjacent to Florida's Turnpike. The first of its four 18-hole championship golf courses will be completed this summer. Several thousand condominium apartment units will be located in hamlets throughout the community.

Penn Central sponsored its first Shareowner Houseparties at the Boca Raton Hotel and Club in October and November. This successful program will be continued in 1969, with Houseparties scheduled for the Thanksgiving and Christmas holidays.

Our merger in February, 1968, made Penn Central the nation's largest transportation system. With inclusion of the New York, New Haven and Hartford Railroad on December 31, 1968, Penn Central operates almost 22,000 miles of railroad serving 16 states, two Canadian provinces and the District of Columbia. We carry nearly 300,000 passengers a day, and





Fronting on Lake Boca Raton, Arvida's Boca Inlet condominium apartment building (left) is convenient to the Atlantic Ocean and to the Hotel and Club's golf course (right).

we operate nearly 3,000 freight and passenger trains every 24 hours.

We made substantial progress toward consolidating the former Pennsylvania and New York Central railroads in our first year as a merged company, but we also encountered operating problems in this transitional period. These difficulties, combined with economic fluctuations, passenger losses and continuing increases in wage, fringe benefit and supply costs, had an adverse effect on railway operating income of Penn Central and its consolidated railroad subsidiaries. The railroad operating revenues for this group were $1.6 billion in 1968, or about the same as in 1967.

In physically integrating our railroad system, we are ahead of schedule in consolidating yards and terminals, interchange and connecting points, and shops d maintenance facilities. Benefits in terms of savings, service and growth will accumulate as this work progresses. The heavy costs we experienced in starting merged operations, which were not chargeable to the reserves set up in 1967, will be non-recurring. For this reason, we expect to reap greater benefits of merger in 1969 than we did in 1968. Our goal is to achieve in five years the savings of at least $80 million annually originally predicted after eight years.

Rail System Capital Improvements The Penn Central railroad system stayed in the forefront of the railroad industry in capital penditures for equipment and facilities. In 1968, we invested $334 million in this program, including $119 million for leased equipment. In the past seven years, we have acquired more than $1 billion, 736 million in new equipment and facilities. Most of this was for new freight cars and more powerful locomotives which augment the largest and most versatile equipment fleet in the country.

In 1968, we added 237 new high-powered diesel locomotives and 4,612 new freight cars to our fleet. We rehabilitated 3,256 freight cars and reduced the ratio of cars awaiting repair from 9.2 to 6.6 per cent.

Our program for implementing the railroad merger requires major improvements in many classification yards. On September 25, we opened our new $29 million com-



High-powered diesels bring new speed and strength to Penn Central's 4,500-locomotive fleet.

puter-controlled freight classification yard near Albany, N.Y. This is the most modern electronic facility of its kind in the world. Computerization cuts almost in half the time previously required to move cars through yarding operations.

The new 630-acre yard can classify freight traffic at the rate of 3,000 cars per day. It will improve substantially Penn Central's service to shippers and receivers in New England and the East.

Penn Central now has seven computerized classification yards which are linked together by the largest and most advanced data collecting and processing system of any railroad.

Work has begun on a $26 million classification yard at Columbus, Ohio. This will be supplemented by expansion of Sharon Yard near Cincinnati to expedite service over the entire southern portion of our railroad.

During the year, 23 terminals and 24 freight stations were consolidated. Road operations were combined at 29 points. We took out of service 336 miles of unneeded track, and we plan to abandon an additional 323 miles in 1969.

New Haven Inclusion A major addition to our railroad occurred at the close of the year when the New Haven Railroad became part of the system, as required by the Interstate Commerce Commission in its authorization of the Penn Central merger. On November 25, the Commission set the price of $145.6 million for the New Haven, but New Haven bondholders are seeking to increase that amount in the courts.

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The line is now the New Haven Region of the Penn Central, and we plan to make it a viable and productive part of our railroad system. We expect to do this by (1) successfully carrying out our long-range plans to restructure service, and (2) continuing to build upon the sound base of public support and understanding which has kept the New Haven alive in recent years.

A Vice President-New England, with headquarters in Boston, was appointed to coordinate New Haven operations and other Penn Central activities in New England. He also is President of New England Transportation Company, the highway transport subsidiary of the former New Haven. With the rapid development of piggyback and containerized shipments, these trucking routes will figure prominently in our restructuring program.

Operating headquarters for the New Haven Region is at New Haven, under the supervision of a General Manager. Many general staff functions have been absorbed into Penn Central's corporate offices.

We are seeking greater efficiency through consolidation of station and yard facilities and freight sales offices at common locations. Operating economies will be made by increased routing of freight traffic over our main Boston to Albany line, making maximum use of our new yard near Albany.

The task of rebuilding the New Haven is a difficult one. It will require the best of our resources in expertise and planning. We are providing the New Haven Region with the specialized skills and aggressive managerial direction necessary for modern railroad operations.

A revitalized New Haven operation, with integrated rail and trucking freight service and with passenger service receiving adequate public support, can make a great contribution to the economy of New England. We expect to achieve this goal with the cooperation of the governments and people of New England.

Sales and Marketing Both our freight sales and marketing departments were reorganized during the year to provide shippers with more efficient service.

The freight sales department was expanded to include nine geographical regions, each under the direction of an Assistant

The nation's largest rail network serves 16 states, 2 Canadian provinces and the District of Columbia.



Vice President to give high-level attention to sales and service requirements. We also have combined sales offices in 18 cities where both the former railroads had separate offices. In addition, a national accounts group was organized, with sales executives assigned to give full attention to the special transportation needs of major industries.

The marketing department was reorganized to include the functions of research, planning and pricing for the development of new transportation services and building profitable new business. The goal of the new organization is to gather diverse segments of the freight market into logical groupings for specialized management care. At present there are specialists for such key market segments as automobiles, agricultural products, metals, chemicals, consumer goods, construction materials and food products, and for specialized activities, such as Flexi-Flo for dry and liquid bulk freight, intermodal and international freight services.

International traffic in containers increased 37 per cent in through container traffic and 31 per cent in number of trailers from which goods are unloaded and placed in ships or containers for water movement. Penn Central handles this traffic through all major North and Middle Atlantic ports.

Our new trade name—TrailVan—replaces the former Pennsylvania TrucTrain and the former New York Central Flexi-Van. Traffic in trailers and vans increased 9 per cent in 1968 and accounted for more than 19 per cent of the total trailer and container traffic handled by U.S. railroads. Revenue from this service rose 18 per cent because of a higher proportion of long-haul traffic. This required the purchase of 500 new TrailVan units for use in the 26 TrailVan trains operated daily between major points on our system.

Terminal expansions were completed at Chicago, Buffalo and Jeffersonville, Ind. (to serve Louisville, Ky.), and started at Philadelphia and East St. Louis, Ill. Expansions for 1969 have been authorized at Worcester, Mass., Selkirk, Buffalo and Rochester, N.Y.

Our Flexi-Flo intermodal transportation system for automatic transfer of dry and liquid bulk commodities in specialized rail cars had a 35 per cent growth in 1968. The major increases were in chemicals and food products. The North Bergen, N.J., Flexi-Flo terminal was expanded in 1968, and additional facilities at Hammond, Ind., Cleveland and Louisville will be constructed in 1969.

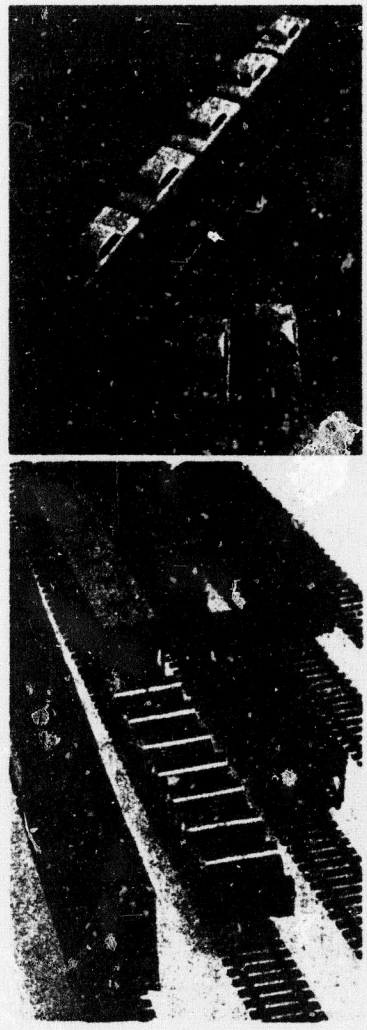
Penn Central developed the concept and is constructing 270 high-cube 60-foot box cars to minimize handling, reduce damage and increase the per-car revenue on household appliances. This fleet will be in full service in the spring of 1969.

Penn Central now transports from factories to dealer distribution points nearly one-fifth of the nation's automobile and truck production. In 1968, we handled more than 1.9 million units, an increase of 13 per cent over 1967. Several terminals are being expanded or built to meet increasing demands.

Coal and Ore Traffic Coal, the single most important source of traffic for Penn Central, contributed about $195 million, or 12 per cent, of our total freight revenues for the year. The nearly 100 million tons of coal transported was about 3 per cent under 1967, principally because of strikes by miners in both January and October, 1968.

The unit train concept, upon which a large portion of our coal traffic is based, continues its evolutionary progress. An increasing number of unit trains are composed of cars owned by utility and other large-volume customers. Privately owned cars operated by Penn Central are now moving coal at an annual rate of more than 11 million tons. We expect to haul more than 20 million tons in non-railroad-owned equipment by 1975.

Unit trains and volume rates have stimulated development of extensive coal properties. This, along with additional rail facilities, has made possible long-term contracts between coal producers and consumers which generate a large amount of additional traffic.



Our tri-level rack cars (top) carry one-fifth of the nation's new cars and trucks, and a variety of specialized-type cars (bottom) play a key role in helping our customers meet their shipping needs.

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THIS IS PENN CENTRAL

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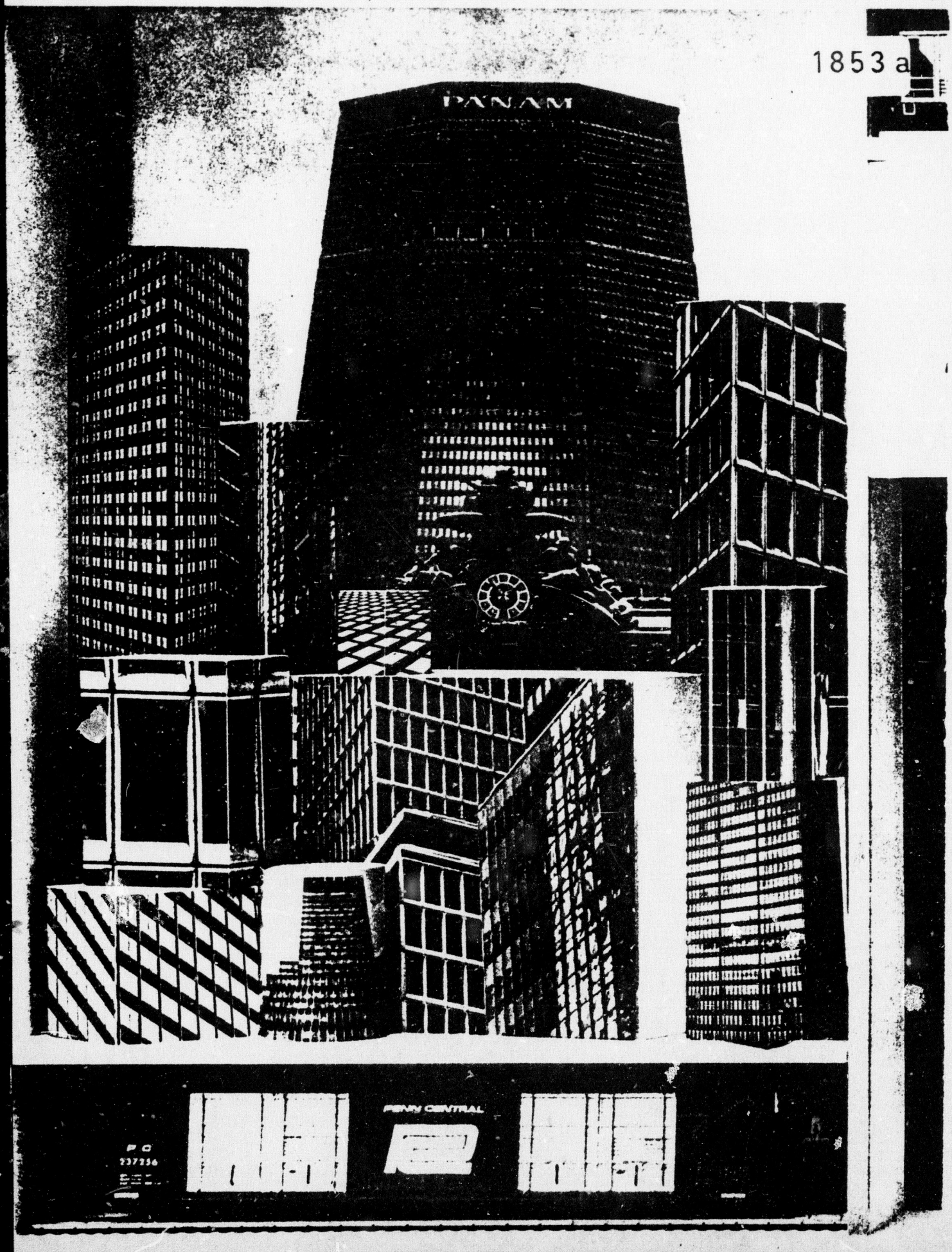
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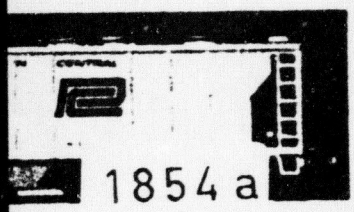
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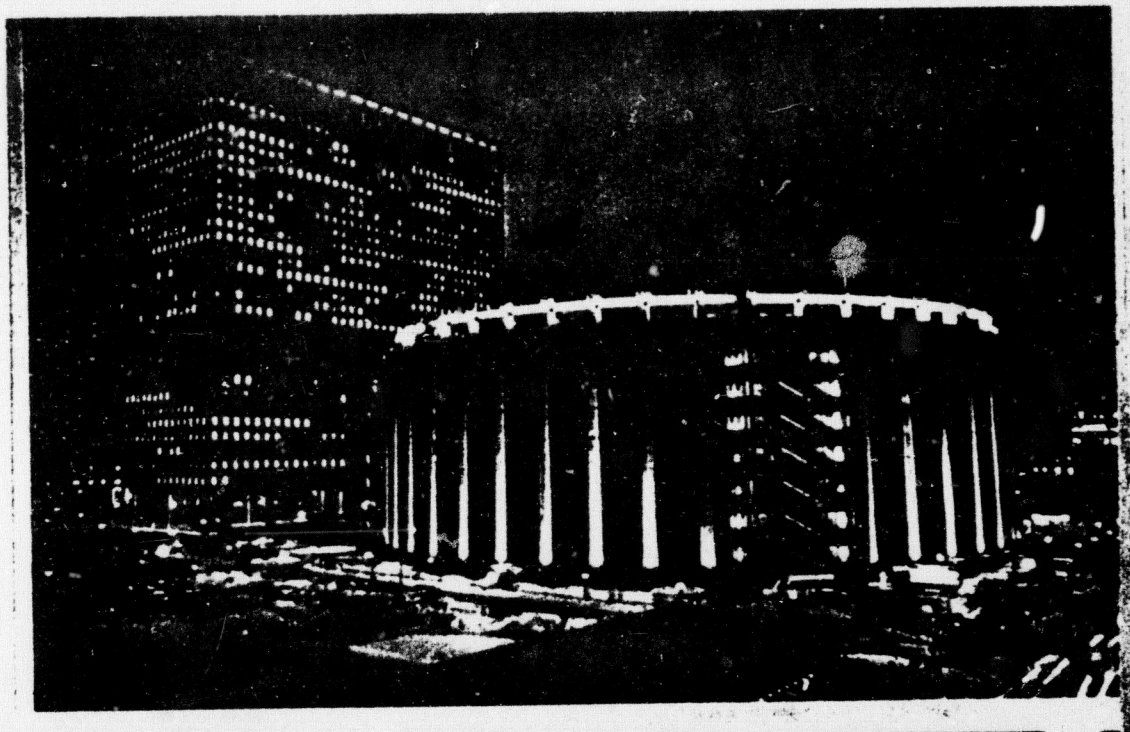
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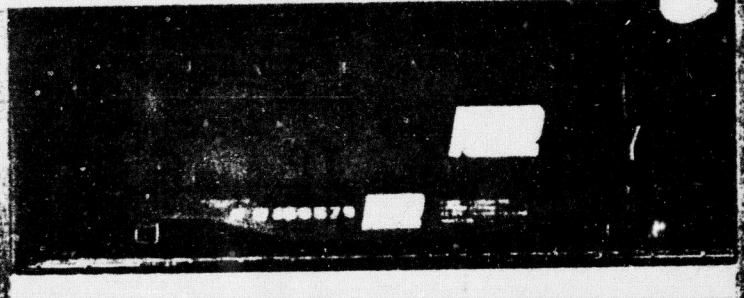


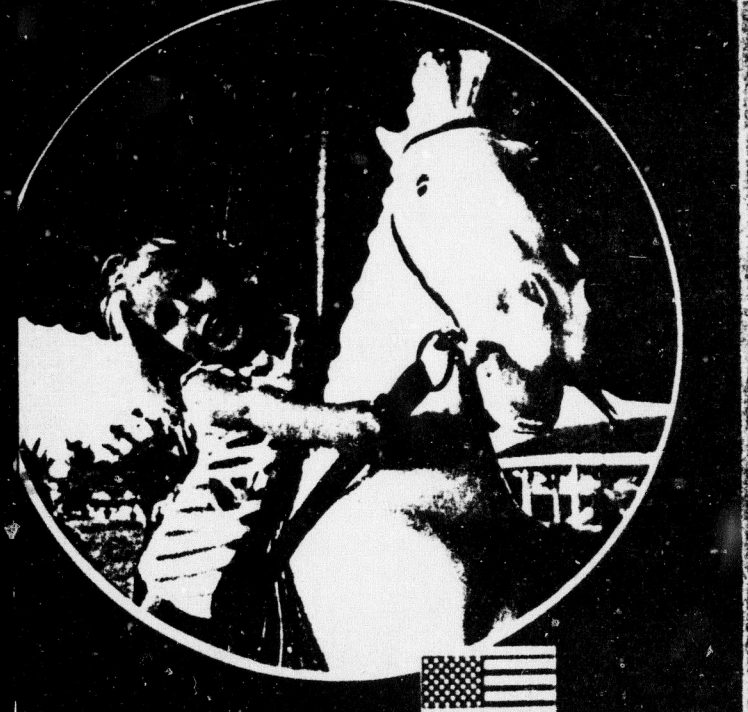

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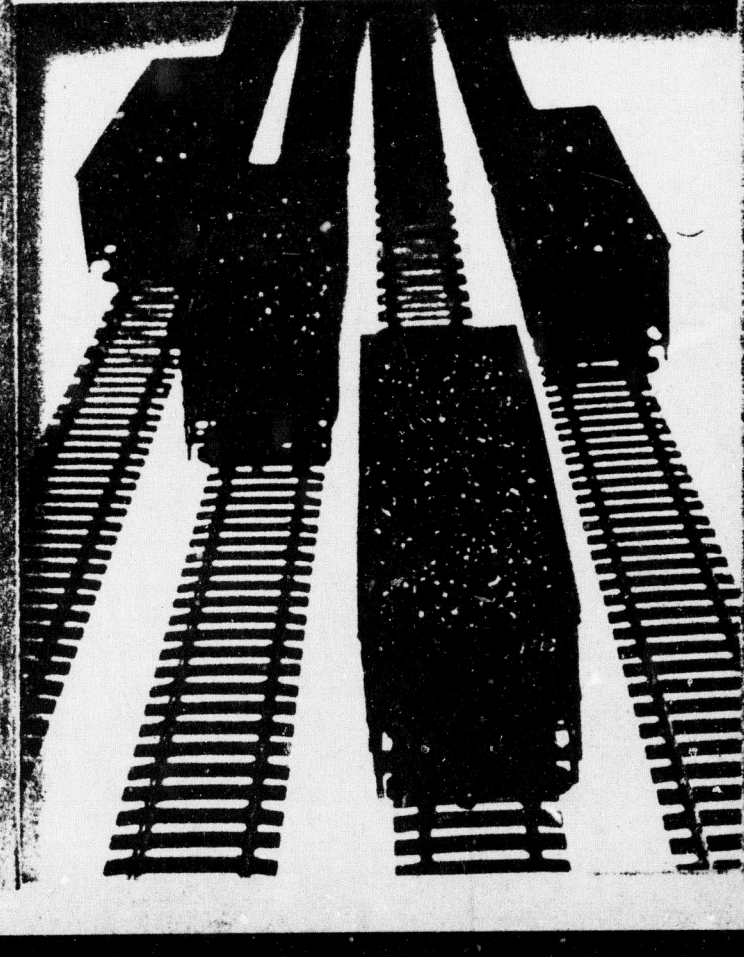


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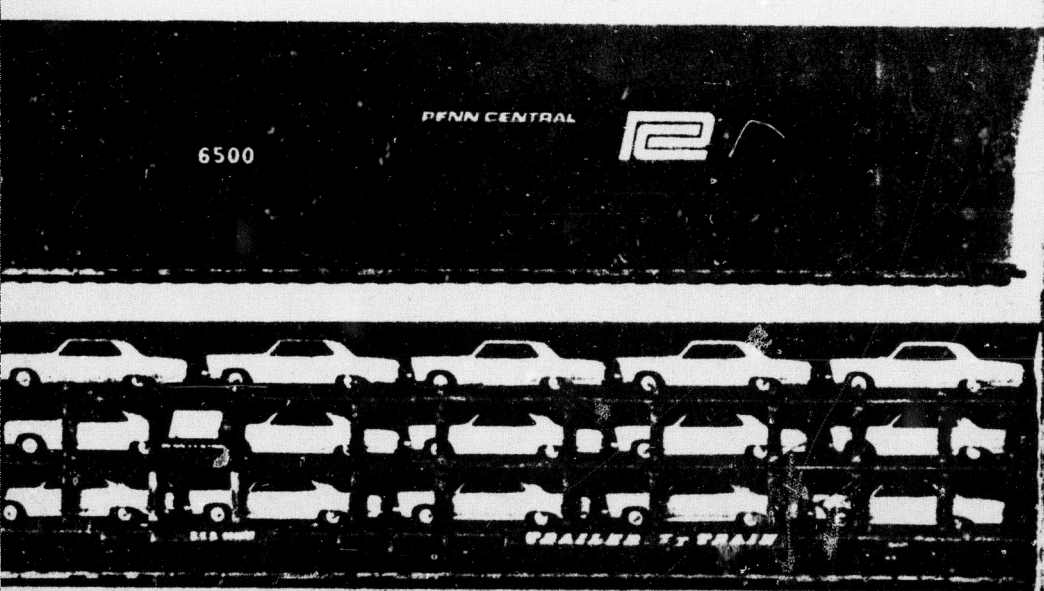


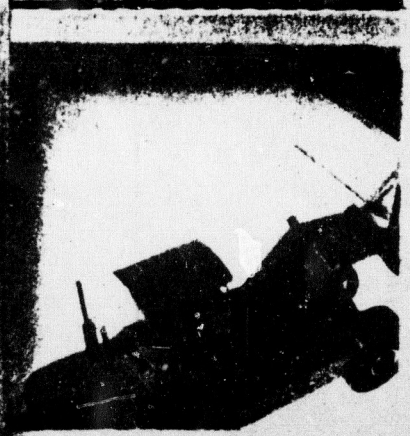


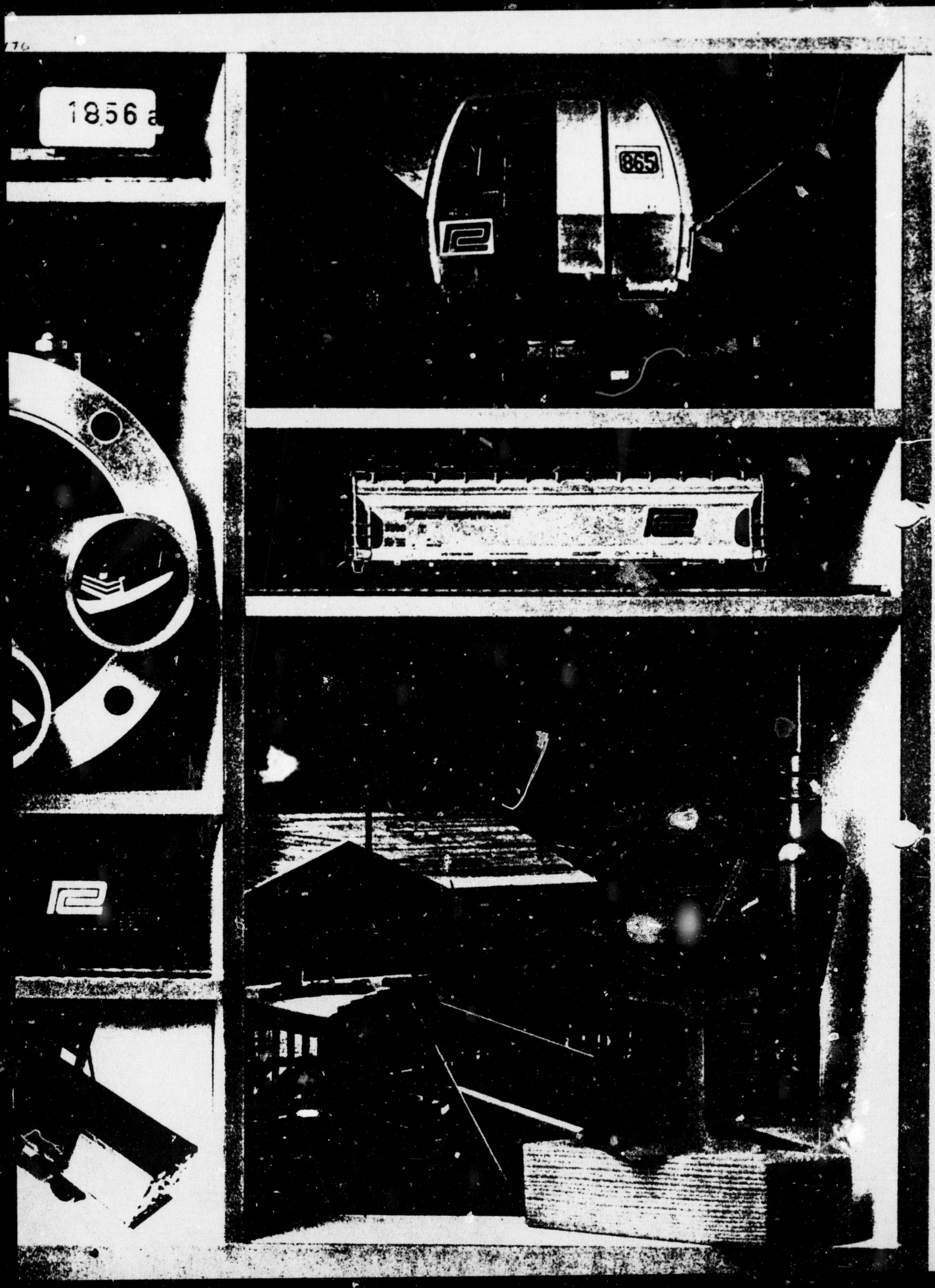


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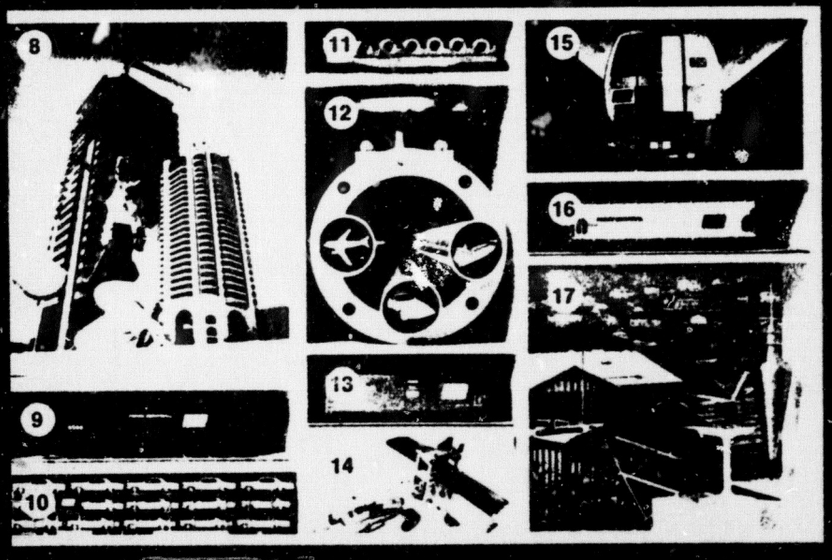
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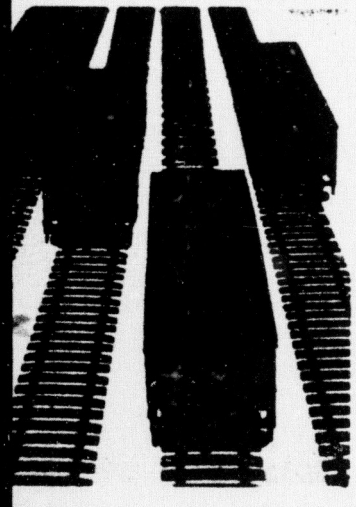
The Waynesburg Southern Railroad, a 35-mile line costing $20 million, began operations in July, 1968, as the outlet for more than a half-billion tons of coal reserves in southwestern Pennsylvania and northern West Virginia. Two mines are in production and a third will open following further extension of the line that will be built in 1969 at a cost of $2.4 million.

Plans have been made to reach three additional mine areas by future short extensions of the Waynesburg Southern. When these are completed, total new coal production from the line will exceed 18 million tons annually.

Our new Ashtabula, Ohio, coal pier, which was built at a cost of $14 million, went into service in May. This coal-handling facility includes a million-ton storage area permitting coal to be received throughout the year and a high-speed reclaim and loading system for Lake colliers during the navigation season.

Extension of our Captina branch in eastern Ohio was completed in 1968 at a cost of $4.5 million. This will serve one major coal mine now under construction and three proposed mines in an area with 200 million tons of reserves. These mines, which will be under long-term contracts, will produce up to 10 million tons per year to the 1990's.

New 100-ton open-top hopper cars are utilized in our constantly growing unit coal train operations.



In southern Maryland, we have completed a line extension to carry unit trains to a coal-fired electric power generating station. Other track is being upgraded and built in Pennsylvania to insure unit train movement of coal from a 4-million-ton-per-year mine to a generating plant under construction in Montour County.

In 1968, Penn Central handled approximately 23 million tons of iron ore. The possibility of a steel industry strike caused high inventory build-ups during the first half of the year. Although the strike did not materialize, domestic steel production was extraordinarily low in the last five months of the year and depressed Penn Central's iron ore traffic.

Mail Service Mail and express train service was modernized on October 1 to provide TrailVan service for long-haul bulk mail movements in which we have an inherent advantage over other carriers and which are not susceptible to diversion to highway freight. A special mail-handling facility for this service was constructed at South Kearny, N.J., and a similar terminal is being built in Chicago.

The Post Office Department continued to divert letter mail from rail to air and short-haul parcel post from rail to highway. These changes resulted in revenue losses of approximately $14 million.

Freight Rate Increase On January 23, 1969, the Interstate Commerce Commission permitted, with modifications, the continuation of general freight rate increases authorized on an interim basis in 1968. This order became effective on January 30. The Commission granted an interim increase of 3 per cent in freight rates, effective June 24, 1968, and later authorized a further interim raise, effective November 28, 1968. For Penn Central, these totalled a 5.1 per cent overall increase, or 98 per cent of our original request. This is expected to produce an additional $65 million in freight revenues in 1969.

Penn Central joined other lines in seeking higher rates because of increased wages, prices and taxes and the dangerously poor rate of return on investment in railroad properties in recent years. The Eastern lines' rate of return in 1968 is estimated at only 1.3 per cent, far below the rate of regulated utilities and most industrial companies. We cannot continue to absorb the additional operating costs forced upon us every year without a rate structure that reflects our capital investment, our cost characteristics, our competition and the demand for transportation. Average freight rate levels remain 8 per cent below what they were in 1958, despite recent increases.

The Interstate Commerce Commission

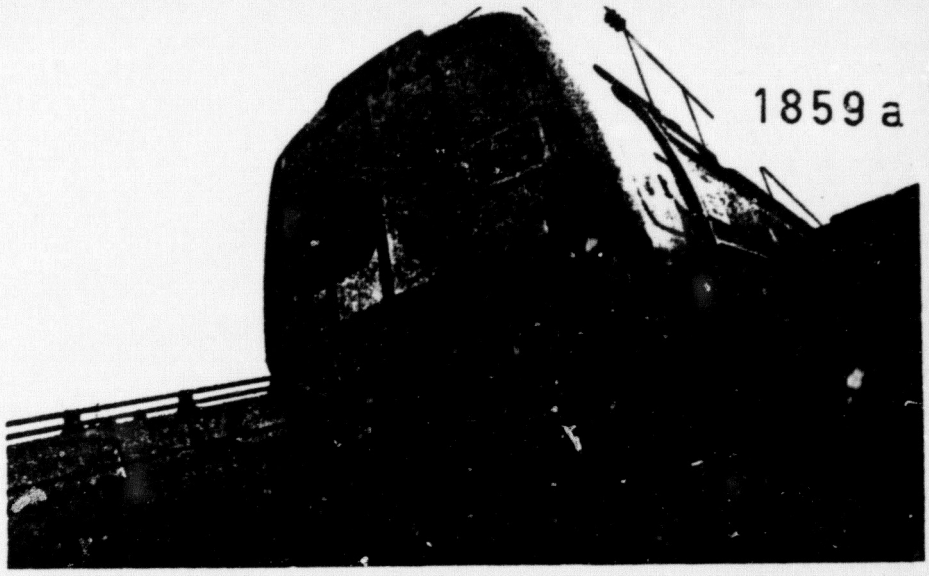
rder granting Eastern railroads, including
enn Central, an increased share of reve-
ues on North-South freight traffic, was
und unlawful by a Federal Court at New
rleans and was remanded to the Com-
ission by the Supreme Court. On appeal
the Eastern lines, the Supreme Court
solved in their favor four of seven dis-
uted items of cost and ruled against them
n the other three. The Commission will
onsider further findings on the latter
ree points.

assenger Service Penn Central provides
bout one-third of the nation's rail pas-
nger transportation. Passenger service
ntinues to be a major financial drain.
he downward trend in intercity passenger
olume continued in 1968. Passenger
evenues in 1968 dropped 9 per cent to
105 million. This, combined with rising
age and fringe benefit costs, increased our
assenger deficit in 1968 to slightly more
an $100 million, an increase of 18 per
ent above the $85 million of 1967. This
ss would have been $40 million more
we had not made a determined attempt
curb the basic causes of our passenger-
rvice problems.

Penn Central is pioneering the develop-
ent of new types of rail passenger service
meet the changing needs of the urbanized
ea served by our railroad system. We
ave formulated a constructive policy of
) upgrading and improving passenger
rvice that is essential, and (2) phasing
t passenger trains no longer needed or
sed and for which there is little market
otential. Our best hope for viable inter-
ty service lies in trains operating over
stances of 200-300 miles between major
ints in the Northeast. We also recognize
e necessity for commuter operations in
e Boston, New York-New Jersey and
hiladelphia metropolitan areas.

Acceptance and growth of public assist-
nce plans are vital for such passenger
erations, which have become funda-
entally a public service entitled to public
pport.

Penn Central alone cannot find a satis-
ctory solution for that problem, and we
e seeking support and cooperation of local,
ate and Federal governmental agencies.



High-speed Metroliner service between New York and Washington made an auspicious start early in 1969.

Metroliner Service Penn Central's high-speed Metroliner service between New York and Washington began on a limited basis on January 16, 1969, and has proved highly successful. We commenced service with one round trip each day. In February, 1969, we added a second six-car train, and we plan to start express service between New York and Washington in the spring. We expect to have the full fleet of 50 Metroliner cars in operation by the middle of 1969, and to start the two-year demonstration project sponsored jointly by Penn Central and the United States Department of Transportation.

Welded rail, heavier catenary wire, improved communications, station modernization and improved ticketing and reservation service are all part of our effort to make certain that the Metroliners will be first class in every respect. In addition, 3,000 employes are receiving extensive retraining for all phases of Metroliner operations.

The cars are the most advanced railroad passenger equipment yet developed. They surpass any other cars in service in speed, power, comfort and luxury.

The American Telephone & Telegraph Company has installed on the Metroliners a newly designed on-train telephone system that permits direct-dialing of calls from the trains.

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...us meals are served ...s in comfortable Metro-...ars.

As part of the two-year demonstration project, park-and-ride stations providing easy access to major suburban highways will be built in 1969 at Lanham, Maryland, and Woodbridge, N.J. Costs will be shared by Federal, state and local transportation authorities.

Penn Central, in cooperation with governmental bodies, is taking the leading role in developing high-speed rail transportation in the entire Northeast Corridor between Boston and Washington. Since inclusion of the New Haven, we have begun preparations for operating lightweight, turbine-powered Turboliner trains.

Commuter and Suburban Service During 1968, continuing contractual arrangements with city, regional and state governmental bodies for public assistance of commuter service in the Boston, New York-New Jersey and Philadelphia metropolitan areas helped to improve service and reduce deficits.

In northern New Jersey, 21 new cars of a proposed 80-car fleet have been placed in service. A $600 million transportation bond issue approved by voters will enable New Jersey to advance its capital improvement program for passenger facilities. This will include new stations at Trenton and Metuchen. The New York & Long Branch Railroad, in which Penn Central has 50 per cent ownership, will be modernized by providing new multiple-unit cars, extending electrification and eliminating grade crossings.

The Southeastern Pennsylvania Transportation Authority's $130-million capital improvement program of new passenger facilities and equipment for commuter lines, including Penn Central's, in the metropolitan Philadelphia area is expected to get under way in 1969.

Fares for commuter service between New York City and Westchester, Putnam and Dutchess County points were increased February 1, 1969, for the first time in more than 3 years to meet higher wages and payroll tax costs.

New standardized fares and simplified ticketing were introduced in December on Penn Central's six Philadelphia-area commuter lines.

Technical Research Our technical research center near Cleveland, which makes both fundamental and applied studies into new equipment and techniques, continued the largest research program of any railroad in the country.

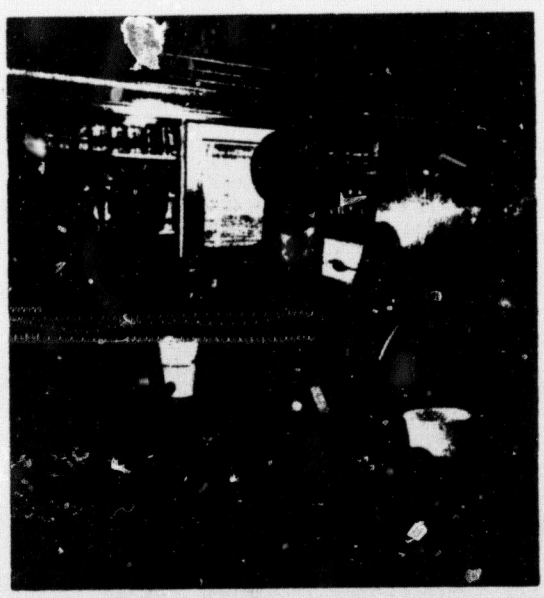
During the year, the research department developed a speed sensor that will reduce the cost of these devices used in classification yards by as much as 90 per cent.

Patents were issued to Penn Central for TRACON, an electronic track inspection system providing statistical information on rail conditions.

Shock and vibration tests conducted with our Technical Research Car have led to new business, lower costs and improved efficiency, with assurance to customers of safer, damage-free transportation.

A new suspension system for freight cars, which uses rubber in place of conventional steel coil springs, is being road tested by the research department. This should lead to the first major change in a railroad truck assembly in 45 years.

One of our most important studies is aimed at upgrading locomotive and car wheel designs and materials to reduce thermal stress and fatigue. Part of this knowledge already has been applied to our new Metroliner cars.



Popular snack-bar coaches offer Metroliner riders a wide variety of refreshments for the journey.

Information Systems Development The most comprehensive computer network in the railroad industry coordinates operations and communications of Penn Central's rail system. Our computers carry more than 40 million characters of information daily between computer centers and 324 input locations.

Nine months after merger, all major information systems of both former railroads were unified for sales reporting, system analysis, transportation performance reporting, responsibility reporting, accounting, customer billing, car tracing, and data from bills of lading and shipping documents.

Additional programs are being implemented to assist all departments. These include the preparation of sales analysis and performance reports to determine yield on types of business by customer, commodity and routing.

Expanded transportation reports will be developed to provide statements of expected arrivals, train make-up, terminal loadings and yard information. These will supply information needed to further improve deliveries and increase car and locomotive utilization.

The Pittsburgh & Lake Erie Railroad Company
The Pittsburgh & Lake Erie Railroad had net earnings of $10,892,000 in 1968, compared with $9,851,000 in 1967, an increase of some 11 per cent. Penn Central ownership of the line rose from 81 to 93 per cent during the year as a result of our offering last spring to exchange Penn Central stock, bonds and cash for P&LE stock.

P&LE acquired 600 new freight cars and rebuilt an additional 700 in 1968. Its freight car fleet totals more than 24,350 cars, of which 97.8 per cent are in serviceable condition. Installation of a new comprehensive traffic control system on most of the P&LE main tracks will be completed in early 1969. The enlargement and modernization of Aliquippa Yard, which serves Jones & Laughlin's largest steel works, made substantial progress in 1968.

Detroit, Toledo & Ironton Railroad Company
Net earnings of the DT&I, a wholly-owned Penn Central subsidiary serving Michigan and Ohio, rose to $2,905,000 in 1968 from $998,000 the previous year, an increase of 191 per cent.

A major portion of the higher earnings is attributable to renovation of Flat Rock Yard, near Detroit, which went into full operation in the spring of 1968.

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THE EASTERN RAILROAD MERGER SITUATION

Consummation of the Penn Central merger on February 1, 1968, completed the major steps in the realignment of Eastern railroads into three viable, competitively balanced systems. These are the C&O-B&O, the Norfolk & Western and the Penn Central.

We continue to oppose the merger proposal of the Norfolk & Western and the Chesapeake & Ohio systems, which has been favorably recommended by an ICC examiner, because we believe it would be disruptive of the competitive balance in the East.

During 1968, the Norfolk & Western, in response to the Supreme Court decision of January 15, 1968, included the Erie-Lackawanna and the Delaware & Hudson in its system. These inclusions gave the Norfolk & Western entrance into a large new area including the Port of New York and Montreal. The Commission has extended to May 1, 1969, the deadline for Boston & Maine to be included in N&W under the Supreme Court order.

1862 a

MANAGEMENT AND PERSONNEL

John T. Dorrance, Jr., Chairman of the Board of Campbell Soup Company, was elected a Director, effective March 1, 1968. James M. Symes was reelected a Director on June 26 to serve the unexpired term of Joseph H. Thompson, who died on April 30. Mr. Thompson, who was retired Chairman of the Hanna Mining Company and a highly respected member of the Board, was a Director for 12 years. Howard Butcher, III, who became a Director in February, 1962, resigned from the Board in September. Walter H. Annenberg who was elected a Director in May, 1967, resigned from the Board in March, 1969, to become United States Ambassador to Great Britain.

Paul D. Fox and J Benton Jones, Vice Presidents, retired, and Executive Vice President Walter R. Grant and Vice Presidents William S. Cook and John C. Kenefick resigned in 1968 to accept positions in other companies. Vice Presidents appointed were John H. Burdakin, Cleveland; Edward L. Claypole, Transportation; Howard C. Kohout, Chicago; James A. McDonald, Executive Assistant to the President; William B. Salter, Detroit; George M. Smith, Pittsburgh; and William H. Tucker, New England. John H. Shaffer was named Treasurer and Charles S. Hill became Comptroller.

During the year, major components of the merged Penn Central were reorganized. Refinement of lower-echelon organization is continuing to integrate the two predecessor companies and maximize use of our management and supervisory personnel.

College recruitment was centralized in 1968, and we expect some 200 young men and women graduating from colleges to become management trainees and participate in Penn Central's training program, which is one of the most comprehensive in the industry.

Some 800 supervisors completed the first phase of a supervisory development course in 1968. In addition, a new internal management development program is scheduled to commence this spring.

Improved training in increased efficiency and safety for new employes entering train and engine service positions and refresher training in the Company's operating rules and procedures for experienced employes is planned for 1969.

A new program of training in office-clerical and basic communications skills was instituted for surplus, unskilled employes in the New York-Newark and Philadelphia areas in 1968 to make them available for reassignment to productive work. This program will be extended to other areas in 1969.

Penn Central established new hiring standards and procedures in 1968 adapted to current conditions to insure equal opportunity in employment. Retraining programs resulted in the upgrading of a number of employes from minority groups.

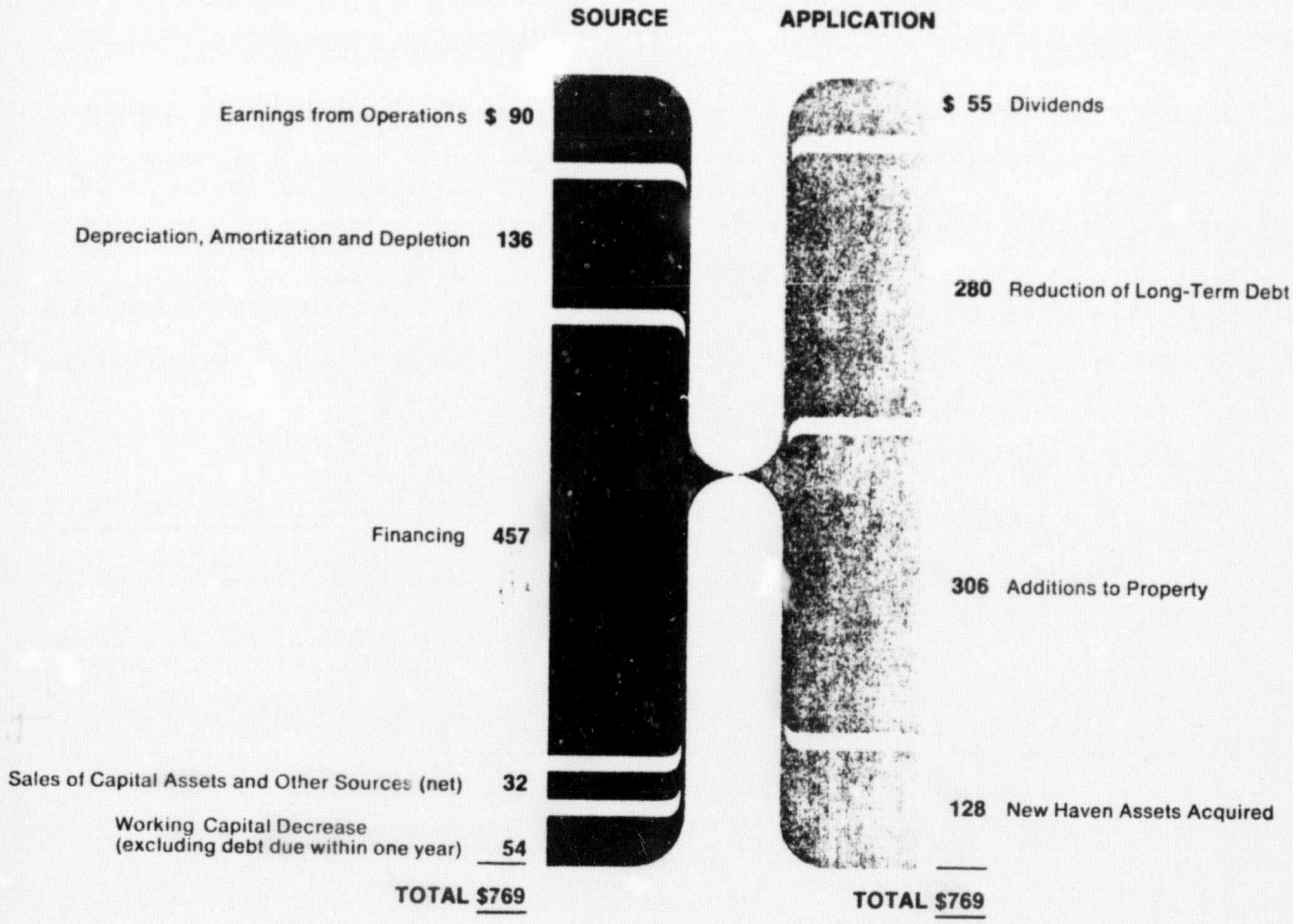
During 1968, Mr. Saunders was Metropolitan Chairman of the National Alliance of Businessmen in the Philadelphia-Camden area, and Penn Central participated in the national Job Opportunities in Business Sector (JOBS) program.

Penn Central railroad system employment averaged 102,200 last year, compared with 106,500 in 1967. Average compensation for 1968, including fringe benefits, was $10,301, up from $9,421 for the previous year.

CORPORATE RESTRUCTURING

The Board of Directors, at its February, 1969, meeting approved a plan of reorganization and merger for submission to the stockholders at the annual meeting. The effect of the proposed plan would be to transform the Penn Central stockholders' investment into stock of a new holding company on a share-for-share basis. The new holding company would own all of the stock of Penn Central. Proxies for approval of the plan will be solicited from the stockholders.

PENN CENTRAL CONSOLIDATED SOURCE & APPLICATION OF FUNDS/YEAR 1968 (in millions)



PENN CENTRAL COMPANY and Consolidated Subsidiaries

1864 a

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

		Year Ended December 31	1968	1967
Current Earnings				
Income	Transportation revenues		$1,749,204,000	$1,700,661,000
	Real estate sales and revenues		272,607,000	191,521,000
	Net gain on sales of investments		43,791,000	16,114,000
	Dividends, interest and other income		55,962,000	35,524,000
	Net income attributable to subsidiaries sold		3,478,000	3,421,000
	Total Income		2,125,042,000	1,955,241,000
Costs and Expenses	Wages, salaries and other employment costs		1,000,262,000	968,899,000
	Cost of properties sold, materials used, other charges		720,293,000	614,117,000
	Depreciation, amortization and depletion		136,182,000	134,537,000
	Taxes, other than payroll and Federal income		60,757,000	64,089,000
	Federal income taxes		2,168,000	124,000
	Interest and debt expense		102,358,000	90,955,000
	Minority interest in income of subsidiaries		12,749,000	11,517,000
	Total Costs and Expenses		2,034,769,000	1,884,238,000
Earnings	From ordinary operations		90,273,000	71,003,000
	Extraordinary charge for costs and losses incurred upon merger		—	(275,422,000)
Net Earnings (Loss)	For the year		90,273,000	(204,419,000)
Retained Earnings	From prior years:			
	As previously reported		1,632,307,000	1,891,348,000
	Adjustments		7,253,000	7,683,000
	As adjusted		1,639,560,000	1,899,031,000
			1,729,833,000	1,694,612,000
	Cash dividends		55,400,000	55,052,000
	Balance at end of year		$1,674,433,000	$1,639,560,000
Per Share Data	Earnings from ordinary operations		$3.91	$ 3.08
	Extraordinary charge		—	$ (11.96)
	Net earnings (loss)		$3.91	$ (8.88)
	Cash dividends		$2.40	$ 2.40

See accompanying notes to financial statements

1865 a

CONSOLIDATED BALANCE SHEET

Assets		December 31	1968	1967
Current Assets	Cash and temporary cash investments		$ 105,672,000	$ 139,975,000
	Loans and notes receivable		15,232,000	16,066,000
	Accounts receivable and unbilled revenue		261,665,000	225,404,000
	Materials and supplies, at cost		90,924,000	106,304,000
	Other		17,141,000	14,584,000
		Total Current Assets	490,634,000	502,333,000
Noncurrent Assets	Investments		453,239,000	354,507,000
	New Haven—net assets acquired, at cost		127,[illegible]4,000	—
	Real estate companies—properties held for development or resale, at cost		181,062,000	166,290,000
	Properties		6,[illegible]36,156,000	6,994,031,000
	Less accumulated amortization, depreciation and losses upon merger		1,837,593,000	1,929,870,000
		Total Properties—Net	5,099,063,000	5,064,161,000
	Deferred charges and sundry assets		77,862,000	49,330,000
	Investment in consolidated subsidiaries in excess of net assets acquired		94,972,000	117,217,000
		Total Assets	$6,524,376,000	$6,253,838,000
Liabilities and Shareholders' Equity				
*Current Liabilities**	Notes payable 50 MM C/P		$ 77,326,000	$ 47,990,000
	Accounts payable		34,975,000	27,868,000
	Accrued expenses		346,357,000	342,428,000
	Federal income taxes		502,000	2,083,000
	Other		28,031,000	24,359,000
	Total current liabilities (excluding debt due within one year)*		487,281,000	444,728,000
Long-Term Debt	Due within one year		164,735,000	119,487,000
	Due after one year 50 MM C/P		2,121,762,000	1,992,627,000
		Total Long-Term Debt	2,286,497,000	2,112,114,000
Other	Estimated liabilities incurred upon merger		119,346,000	143,164,000
	Casualty and other claims		84,837,000	75,042,000
	Deferred credits and other liabilities		149,398,000	154,938,000
	Minority interest in subsidiaries		256,025,000	265,470,000
	Excess of net assets acquired of consolidated subsidiaries over investment		157,449,000	155,373,00[illegible]
		Total Other	767,055,000	793,987,000
Shareholders' Equity	Capital stock—$10 par value, authorized 27,000,000 shares, issued 24,085,329 shares (1967—23,016,274)		240,853,000	230,163,000
	Additional paid-in capital		1,068,287,000	1,033,286,000
	Retained earnings		1,674,403,000	1,639,560,000
		Total Shareholders' Equity	2,983,543,000	2,903,009,000
		Total Liabilities and Shareholders' Equity	$6,524,376,000	$6,253,838,000

See accompanying notes to financial statements

PENN CENTRAL COMPANY (Parent Company Only)

1866 a

(4)

STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year Ended December 31	1968	1967
Current Earnings			
Income	Railway operating revenues	$1,516,237,000	$1,509,000,000
	Income from rental of properties, net	27,131,000	25,129,000
	Dividends and interest—consolidated subsidiaries	40,167,000	40,774,000
	Dividends and interest—other	15,451,000	4,743,000
	Net gain on sales of properties and investments	35,437,000	16,756,000
	Income under tax allocation agreements	19,038,000	7,442,000
	Miscellaneous, net	1,670,000	(3,743,000)
	Total Income	1,655,131,000	1,600,101,000
Costs and Expenses	Railway operating expenses, excluding depreciation	1,173,761,000	1,139,997,000
	Depreciation, including depreciation on leased lines	94,135,000	96,365,000
	Taxes, except Federal income	125,802,000	123,802,000
	Equipment and other rents—net	159,292,000	144,036,000
	Interest on debt	68,787,000	59,389,000
	Guaranteed dividends and interest—leased lines	26,327,000	25,045,000
	Total Costs and Expenses	1,657,904,000	1,588,634,000
Earnings (Loss)	From ordinary operations	(2,773,000)	11,467,000
	Extraordinary charge for costs and losses incurred upon merger	—	(275,422,000)
Net Earnings (Loss)	For the year	(2,773,000)	(263,955,000)
Retained Earnings	From prior years:		
	As previously reported	827,362,000	1,142,511,000
	Adjustments	(39,142,000)	(35,284,000)
	As adjusted	788,220,000	1,107,227,000
		785,447,000	843,272,000
	Cash dividends	55,400,000	55,052,000
	Balance at end of year	$ 730,047,000	$ 788,220,000
Per Share Data	Earnings from ordinary operations (loss)	$(.12)	$ .50
	Extraordinary charge	—	$(11.96)
	Net earnings (loss)	$(.12)	$(11.46)
	Cash dividends	$2.40	$ 2.40

See accompanying notes to financial statements

1867 a

BALANCE SHEET

	December 31	1968	1967
Assets			
Current Assets	Cash and temporary cash investments	$ 46,915,000	$ 79,479,000
	Accounts receivable and unbilled revenue	240,211,000	201,814,000
	Material and supplies, etc., at cost	88,692,000	88,184,000
	Total Current Assets	375,818,000	369,477,000
Noncurrent Assets	Investments	1,208,441,000	1,144,531,000
	New Haven—net assets acquired, at cost	127,544,000	—
	Properties:		
	Road, structures, etc.	1,904,536,000	1,879,023,000
	Revenue equipment (rolling stock)	1,745,448,000	1,816,387,000
	Other	90,541,000	87,113,000
		3,740,525,000	3,782,523,000
	Less accumulated depreciation and losses upon merger	992,036,000	1,073,566,000
	Total Properties—Net	2,748,489,000	2,708,957,000
	Deferred charges and sundry assets	53,058,000	36,221,000
	Total Assets	$4,513,350,000	$4,259,186,000
Liabilities and Shareholders' Equity			
*Current Liabilities**	Notes payable (to subsidiaries $19,420,000; $4,900,000, 1967)	$ 87,420,000	$ 36,913,000
	Accounts payable and accrued expenses	347,701,000	330,660,000
	Total Current Liabilities (excluding debt due within one year)*	435,121,000	367,573,000
Long-Term Debt	Due within one year	76,718,000	68,935,000
	Due after one year	1,407,619,000	1,226,164,000
	Total Long-Term Debt	1,484,326,000	1,295,099,000
Other	Estimated liabilities incurred upon merger	119,346,000	143,164,000
	Casualty and other claims	81,803,000	72,310,000
	Amounts payable to subsidiary companies	122,582,000	92,148,000
	Other	231,015,000	237,223,000
	Total Other	554,746,000	544,845,000
Shareholders' Equity	Capital stock—$10 par value, authorized 27,000,000 shares, issued 24,085,329 shares (1967—23,016,274)	240,853,000	230,163,000
	Additional paid-in capital	1,068,257,000	1,033,286,000
	Retained earnings	730,047,000	788,220,000
	Total Shareholders' Equity	2,039,157,000	2,051,669,000
	Total Liabilities and Shareholders' Equity	$4,513,350,000	$4,259,186,000

See accompanying notes to financial statements.

MERGER

On February 1, 1968 The New York Central Railroad Company was merged into The Pennsylvania Railroad Company and the corporate name was changed to Penn Central Company on May 8, 1968. For accounting purposes the merger has been treated as a "pooling of interests" and consequently the financial statements, including the comparative figures for 1967, reflect the combined accounts of both companies. Certain figures for 1967 have been restated to conform with classifications adopted in 1968.

The merger resulted in duplication or obsolescence of certain railroad properties, equipment, materials and supplies, and in the requirement to rehire certain otherwise surplus furloughed employees. An extraordinary charge for these items, estimated at $275,422,000, was provided as a reduction of earnings in 1967. During 1968 charges against the resulting valuation and other reserves aggregated $39,684,000.

Consolidated retained earnings at December 31, 1967 have been restated from amounts previously reported to reflect a net retroactive increase of $7,253,000. This net increase results from a credit of $46,395,000 arising out of conformance of accounting policies of the two companies with respect to deferred income taxes (as more fully described in note on Federal income taxes) and a net charge of $39,142,000 to correct retroactively certain account balances (principally accruals for injuries to persons, loss and damage freight claims and other items relating to prior years) as a result of the first audit of the merged company, and to effect uniform accounting policies and practices. Of the net adjustment a charge of $430,000 is applicable to 1967 and earnings for that year have been restated accordingly. The balance of the adjustment is applicable to years prior to 1967 and has been credited to retained earnings as of January 1, 1967.

Penn Central Company (parent only) in reporting results of operations to the Interstate Commerce Commission reflects the aforementioned prior period net charge of $39,142,000 as a reduction of net income in 1968 in accordance with accounting requirements of the Commission. Of the net adjustment, a charge of $3,858,000 is applicable to 1967 and earnings for that year have been restated in this report accordingly.

As required by the Interstate Commerce Commission as a condition of the merger, substantially all of the properties and investments of The New York, New Haven and Hartford Railroad Company, subject to certain assumed liabilities, were acquired as of December 31, 1968 for $33,600,000 in long-term mortgage bonds, 950,116 shares of common stock, cash and other consideration. Bondholders of the New Haven are litigating the terms of purchase ordered by the Commission and are seeking substantial increases in the purchase price. As it is not possible, without further study, to make a final allocation of the purchase price to the various assets acquired, these net assets are reflected in the accompanying balance sheets in total. Operations of the New Haven properties will be included in the results of Penn Central Company commencing January 1, 1969. Those properties were operated in bankruptcy for a considerable number of years, incurring substantial losses, but those results are not deemed indicative of the future.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries, except the Wabash Railroad Company, the divestment of which is arranged as ordered by the Interstate Commerce Commission, and the Lehigh Valley Railroad Company, which the Commission has required to be offered for inclusion in another railroad system.

In 1968 the following subsidiaries and division were sold: Strick Corporation, Transport Pool, Inc., Pennsylvania Terminal Real Estate Company, Great Southwest Warehouses, Inc., and Six Flags Over Georgia (a division of Great Southwest Atlanta Corp.). In the statement of consolidated earnings and retained earnings, the net income attributable to their operations has been set forth separately.

INVESTMENTS

Investments, at cost or less, are as follows:

	Company	Consolidated
Majority-owned subsidiaries eliminated in consolidation	$1,086,095,000	$ —
Unconsolidated Subsidiaries:		
Lehigh Valley Railroad Co.:		
Stock—1,475,579 shares—97% owned	7,619,000	23,025,000
Bonds	2,440,000	4,139,000
Wabash Railroad Co.:		
Common stock—595,255 shs.—99% owned	—	3,292,000
Preferred stock—132,264 shs.—43% owned	—	4,982,000
	10,059,000	35,438,000
50%-owned companies (Principally railroad terminal companies):		
Stocks	13,992,000	21,671,000
Bonds, notes and advances	15,695,000	22,786,000
	29,687,000	44,457,000
Affiliated Companies (Principally railroad connections):		
Stocks	9,556,000	15,271,000
Bonds, notes and advances	14,093,000	35,365,000
	23,649,000	50,636,000
Other:		
Norfolk and Western Ry. Co. stock—1,407,732 shares	—	36,940,000
Debentures receivable under exchange agreement	—	62,400,000
Mortgage notes and contracts—real estate sales	478,000	130,611,000
Miscellaneous	58,473,000	92,757,000
	58,951,000	322,708,000
Total Investments	$1,208,441,000	$ 453,239,000

Lehigh Valley

Based on unaudited financial statements, the equity in the net assets of Lehigh Valley at December 31, 1968 was $73,232,000. Lehigh Valley reported a net loss for the year 1968 of $5,969,000 and no dividends were paid.

Wabash

The Wabash properties have been leased to Norfolk and Western Railway Company since October 16, 1964 under a rental arrangement that provides for all related expenses, a fixed rental and additional rental equated to dividends declared on Norfolk and Western stock. An agreement also provides for exchange of all the Wabash common stock for 671,692 shares of Norfolk and Western common stock after six years from date of lease. The Norfolk and Western common shares to be acquired through this exchange are subject to the voting restriction and divestiture requirements of the Interstate Commerce Commission order authorizing the lease. Unaudited net earnings of Wabash for the year were $10,204,000 and dividends received from the Wabash during 1968 were $8,970,000.

50%-owned Companies

The net assets attributable to these companies, on the basis of unaudited reports, exceeded the consolidated investment therein by $2,650,000 at December 31, 1968. Dividends received from such companies during the year were $11,986,000 on a consolidated basis.

Norfolk and Western

On October 16, 1964 the Norfolk and Western-Nickel Plate-Wabash Unification Plan became effective pursuant to an order of the Interstate Commerce Commission. As ordered by the Commission, voting rights of the Norfolk and Western holdings are placed with trustees under voting agreements until the required divestiture of such holdings is completed by October 15, 1974.

Under an exchange agreement with Norfolk and Western, approved in April 1966 by the Interstate Commerce Commission, 800,000 of its common shares are to be delivered in stipulated installments to June 1974 to Norfolk and Western in exchange for $104,000,000 principal amount of Norfolk and Western 4½% debentures, convertible into Norfolk and Western common stock by any holder other than Penn Central or its affiliates. The total consideration of $104,000,000 received or receivable under the exchange agreement was recorded as an investment. The profit resulting under the exchange agreement is being recognized as income ratably over the term of the agreement. At December 31, 1968 there is $49,518,000 of profit allocable to the remaining periods under the agreement.

A total of 320,000 shares has been exchanged to December 31, 1968 and the $41,600,000 in debentures received for the stock have been sold.

At December 31, 1968 the market value of Norfolk and Western common stock holdings, including shares receivable in exchange for Wabash common stock, was $224,058,000, a substantial portion of which is subject to pledge or other restriction. Dividends and interest received from Norfolk and Western during 1968 aggregated $12,783,000.

PROPERTIES

Properties presented on the consolidated balance sheet at December 31, 1968 reflect the following general classes:

	1968	1967
Transportation Properties:		
Road, structures, etc.	$4,194,188,000	$4,136,407,000
Revenue equipment (rolling stock)	2,482,999,000	2,570,493,000
	6,677,187,000	6,706,900,000
Other Properties:		
Real estate companies and hotels	119,523,000	116,786,000
Miscellaneous	139,946,000	170,345,000
	259,469,000	287,131,000
Total Properties	$6,936,656,000	$6,994,031,000

Transportation properties of the parent company and railroad subsidiaries are stated at valuations determined by the Interstate Commerce Commission in 1915 to 1919, with subsequent additions at cost. All other properties are stated at cost.

Transportation properties are depreciated in accordance with regulations issued and at rates approved by the Interstate Commerce Commission. As required, replacement accounting is used for certain properties, principally track structure and grading accounts. Under this method, amounts capitalized are not depreciated but replacements in kind are expensed; betterments and additions are capitalized; and retirements are charged to expense. Depreciation of other properties is provided on the straight-line method over the estimated useful lives of such assets.

FEDERAL INCOME TAXES

Income tax returns have been filed on consolidated bases and no income taxes are payable on such consolidated returns for 1968 or 1967. The Federal income taxes reported in the statement of consolidated earnings and retained earnings represent $449,000 of current income taxes in 1968 and a credit of $418,000 in 1967 applicable to earnings of subsidiary and lessor companies for which separate returns are required to be filed, and $1,719,000 of deferred Federal income taxes in 1968 and $542,000 in 1967 for non-regulated subsidiaries not includable in the consolidated income tax return. The Penn Central Company (parent only) statement of earnings reflects amounts receivable under tax allocation agreements entered into between the parent and certain subsidiaries included in the consolidated income tax returns. Under these agreements the subsidiaries pay to the parent the amount by which their tax liability is reduced or eliminated because of utilization in the consolidated return of operating losses or capital losses of other members of

the group, but in no event shall such payments exceed 95% of the tax which would have been due if they had filed separate returns.

The Company keeps its accounts in accordance with regulations of the Interstate Commerce Commission which prohibit the recording of deferred income taxes; however, generally accepted accounting principles require provision for such taxes. The deferred taxes arise from timing differences due principally to reporting for tax purposes of: (1) depreciation on accelerated methods, (2) property sales on the installment basis and (3) merger and casualty costs and losses on the cash basis. On a consolidated basis the deferred taxes, if recorded (after giving recognition to tax effect of capital gain and dividend income) would have been $8,000,000 in 1968 and $26,000,000 in 1967 applicable to income from ordinary operations and a reduction of deferred taxes of $99,000,000 applicable to 1967 extraordinary charge, all after appropriate recognition of investment tax credits. The accumulated deferred taxes would have approximated $75,000,000 at December 31, 1968. Investment credits on a consolidated basis of not less than $90,000,000 are available for carry-forward to future years.

No deferred taxes are provided for companies included in the consolidated tax return and for other regulated subsidiaries in accordance with a policy adopted effective with the merger. Consistent with this policy deferred income taxes recorded in prior years by certain subsidiaries of the former New York Central Railroad and previously reflected in the consolidated financial statements have been eliminated.

The consolidated Federal income tax returns filed by the Pennsylvania Railroad affiliated group for the years prior to 1954 have been examined by the Internal Revenue Service and all tax liabilities have been settled. For the years 1954 through 1961 the Internal Revenue Service has proposed additional taxes, based primarily upon its assertion that certain deductions should be spread to later years to a degree inconsistent with treatment of similar items approved in prior years. The Company and its subsidiaries have filed initial protests against the proposed deficiencies; counsel is unable to determine the amount of liability, if any, which ultimately may accrue. The consolidated returns for years subsequent to 1961 are under examination by the field agents of the Internal Revenue Service; no deficiency for these years has been proposed.

The consolidated Federal income tax returns filed by the New York Central affiliated group for the years prior to 1956 have been examined by the Internal Revenue Service and all tax liabilities have been settled. The tax returns for subsequent years, all of which indicated no tax liability, are subject to examination by the Internal Revenue Service; however, the statute of limitations bars any deficiency assessment for the years prior to 1965, other than 1962.

LONG-TERM DEBT

At December 31, 1968 long-term debt, including debt due within one year, was as follows:

	Company	Consolidated
Bank loans 4% to 8⅛% due to 1990	$ 239,214,000	$ 258,545,000
Mortgage bonds and notes 2½% to 7¼% due to 2862	633,254,000	1,113,403,000
Collateral trust bonds and notes 4% to 6½% due to 1993	58,051,000	102,319,000
Railroad equipment obligations 2¾% to 7½% due to 1986	551,428,000	682,620,000
Real estate and other secured loans 2¼% to 7½% due to 1991	—	92,789,000
Various unsecured notes 4% to 8½% due to 1970	—	15,462,000
Miscellaneous obligations	2,379,000	21,359,000
Total Long-Term Debt	$1,484,326,000	$2,286,497,000

Certain issues require annual installments of principal, in varying amounts, to the final maturity dates indicated.

Payments of principal for the next five years are:

Year	Amount	
	Company	Consolidated
1969	$ 76,7[illegible]0	$164,735,000
1970	149,70[illegible],000	228,727,000
1971	72,441,000	130,956,000
1972	71,208,000	105,681,000
1973	114,860,000	160,724,000

Investments with a cost of $146,096,0[illegible]0 for the company (including investments in consolidated subsidiaries) and $237,490,000 consolidated, and substantial portions of the properties, both company and consolidated, are pledged as security or otherwise restricted under various indentures and loan agreements.

CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

The changes in capital accounts during 1968 are:

	Capital Stock ($10 Par Value)	Additional Paid-in Capital
Balance at beginning of year	$230,163,000	$1,033,286,000
Issued:		
Acquisition of an additional 12% interest in the Pittsburgh and Lake Erie Railroad Company	628,000	4,446,000
Acquisition of New Haven as ordered by the Interstate Commerce Commission	9,501,000	29,572,000
Exercise of stock options	559,000	859,000
Miscellaneous issues	2,000	94,000
Balance at end of year	$240,853,000	$1,068,257,000

The stock option plans authorized by stockholders for officers and key employes resulted in the following transactions during the year:

	Number of Shares	
	Restricted Plans	Qualified Plan
Outstanding at beginning of year	140,014	4,000
Granted	—	346,500
Exercised	52,410	3,500
Lapsed	5,312	26,000
Outstanding at end of year	82,292	321,000
Available for future grants	—	339,500

Proceeds from issuance of stock under these plans are required to be used for capital improvements.

During 1968 options granted under the restricted plans were exercised at prices ranging from $12.50 to $24.50 per share for a total of $1,198,000. Those under the qualified plan were exercised at a price of $62.94 for a total of $220,000. Options outstanding at December 31, 1968 are exercisable at prices ranging from $12.50 to $81.78 per share and generally are exercisable over a four-year period, commencing one year after date of grant. No material dilution in earnings per share would have occurred if all options outstanding at December 31, 1968 had been exercised.

LEASE OBLIGATIONS

Penn Central and its consolidated subsidiaries have additional obligations under long-term rail transportation equipment leases. The remaining rentals payable under these leases, representing primarily the amortization of lessors' costs of the equipment, amount to $598,022,000 and $479,360,000 for the company and consolidated, respectively. The rental for equipment acquired under these lease arrangements was $52,915,000 and $34,386,000 in 1968 for the company and consolidated, respectively. Under existing leases the rentals during the next five years will range from a high of $60,450,000 and $43,957,000 in 1969 to a low of $50,007,000 and $38,106,000 in 1973 for the company and consolidated, respectively. Rental obligations for miscellaneous real estate and sundry equipment are considered not material.

CONTINGENT LIABILITIES

The company has contingent liabilities (not included as liabilities in the balance sheet) aggregating $462,145,000 as of December 31, 1968 by endorsement, as guarantor or by agreement, including agreements to make advances, in respect of the principal of obligations of companies in which the company has an interest. $197,182,000 of these contingent obligations have been entered into jointly, or jointly and severally, with other companies.

On a consolidated basis the contingent liabilities (not included as liabilities in the balance sheet) aggregate $247,590,000 as of December 31, 1968, in respect of the principal of obligations issued by non-consolidated companies, principally terminal companies, in which the company and its subsidiaries have an interest. $210,803,000 of these contingent obligations have been entered into jointly, or jointly and severally, with other companies.

In addition there are other contingent liabilities, but management believes they would have no material adverse effect upon the company's financial position.

PENSIONS

The company and certain of its consolidated subsidiaries have pension plans which provide retirement benefits for substantially all management employes together with certain personnel covered by labor union agreements. Consolidated pension expense for the year was $1,874,000, of which $1,150,000 was applicable to the parent company. It is the companies' policy with respect to the various plans to fund pension cost accrued and substantially all of the plans are fully funded at December 31, 1968.

SUBSEQUENT EVENT

On February 26, 1969 the Board of Directors approved for submission to the shareholders at the 1969 annual meeting a plan to create a holding company which would acquire all of the stock of the present company. Under the plan, shares of the holding company would be exchanged on a share-for-share basis for Penn Central shares.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
1500 WALNUT STREET
PHILADELPHIA, PA. 19102

The Board of Directors and Shareholders
Penn Central Company:

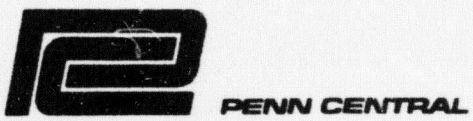
We have examined the balance sheets of Penn Central Company and of Penn Central Company and consolidated subsidiaries as of December 31, 1968 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for 1967, included for comparative purposes, were not examined by independent public accountants.

In our opinion, except for the failure to provide deferred income taxes as explained in the note on Federal income taxes, such financial statements present fairly the financial positions of Penn Central Company and of Penn Central Company and consolidated subsidiaries at December 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, as restated (see merger note).

March 7, 1969

Peat, Marwick, Mitchell & Co.

1872 a



Ex. A-68: Blue sheet of February 12, 1970
on Penn Central by Tripi

1873 a

PENN CENTRAL COMPANY PHILADELPHIA, PA.

February 12, 1970

I had lunch with Ray Lepley. The company and subsidiaries have purchased over $60MM commercial paper from us in the last seven weeks. Much of these funds resulted from the bond issue of the Pennsylvania Company.

Ray asked me, for at least the third time, if most of our issuers have line coverage. I answered affirmatively. He said that using the recently established swing lines is a nuisance as they are working against the clock and may not have the necessary personnel available to make the adjustments. He asked me if I knew of any non-finance companies which have master note agreements with bank trust departments. I said no. He said he knows of a few.

He wanted to know if there are any particular types of investors which favor or disfavor their notes. I said I am aware of only a few customers which have not approved their notes, but it appears to be a matter of investment policy towards railroads in general.

He asked what our position is regarding Standard & Poor's new rating service. I told him that we are taking a neutral stand, neither encouraging nor discouraging issuers from applying for a rating at this point. He said he was glad to hear this as this is his attitude which he conveyed to the V. P., Finance.

We met briefly with J. H. Shaffer, Treasurer. He was interested in knowing which local banks buy their notes and seemed pleased when I responded: Philadelphia National, Fidelity, and Provident National.

Ray spoke highly of Pieter Fisher and said he looks forward to meeting Bob Wilson.

cc: PAF, GVC, RML, RED FOLDER J. JERROLD TRIPI

Ex. A-76: Bank checkings of December 15, 1969 on Penn Central by Levine

PENN CENTRAL TRANSPORTATION COMPANY PHILADELPHIA, PA.

September 11, 1969
CHEMICAL BANK - Allen Gray - We accommodate the subject with a $15,000,000 participation in a $300,000,000 revolving credit agreement, expiring January 1, 1971, convertible then to a five year term loan. As of September 11, 1969, the subject owed $12,500,000 through this arrangement. We do not accommodate the subject with any other formal lines or loans but we do have other commitments with Penn Central and some of its subsidiaries. Penn Central is currently in our debt for $2,600,000 on an offering basis. Our total commitment to the Company and its subsidiaries is approximately $59,000,000. We continue to maintain a very high regard for this company and its management.

IRVING TRUST CO. - Mr. Brennan - We accommodate the subject with a $20,000,000 participation in a $300,000,000 revolving credit agreement; $17,000,000 has been owing on this agreement since June 18, 1969. The agreement is on a pro rata basis and is secured with Pennsylvania Company common stock. In addition, we accommodate the company with several term loans amounting to $7,600,000, all maturing during 1974. We also extend a $5,000,000 participation in a $50,000,000 Eurodollar agreement. The aggregate outstandings for all our agreements with Penn Central and its subsidiaries is $24,200,000. Irving Trust's share in the $300,000,000 revolving credit was originally $25,000,000 but they have participated out $5,000,000 to another bank.

FIRST NATIONAL CITY BANK - Mr. Finkenouer, Asst. Cashier - We accommodate the subject with a $92,000,000 participation in a $300,000,000 revolving credit agreement along with forty-eight other banks. The aggregate outstanding on this entire agreement is $250,000,000; the subject owes us $75,000,000 on this basis. In addition we extend a $16,680,000 term loan maturing in December of 1971 (our share of this term loan is 60%; Chase Manhattan carries the remaining 40% portion). $50,000,000 in lines is extended by other banks to this company but none of this amount is presently outstanding.

MANUFACTURERS HANOVER TRUST CO. - Mr. Schultz - We accommodate the subject with a $20,000,000 participation in a $300,000,000 revolving credit agreement with $16,660,666 presently outstanding. In addition, we extend to some of the Penn Central subsidiaries secured loans. We think well of this company, and we have enjoyed a favorable lending relationship with them.

December 8, 1969
CHASE MANHATTAN BANK - Mr. O'Donnell - We have had this account since 1926. Balances are extremely satisfactory. We offer the subject many unsecured term loans, with $50,000,000+ outstanding. We have a very high regard for management.

December 9, 1969
MORGAN GUARANTY TRUST CO. - Charles Shaw - We have had an account with the Pennsylvania Railroad since 1912 and an account with New York Central since 1898. There was a $15,000,000 line with Chase and Chemical but it was cancelled in early November of 1969. A temporary line was set up until they could sell commercial paper through Goldman, Sachs. This line was used to a high of $9,400,000, owing October 2, 1969. We have a $25,000,000 share of First National City Bank's share in the $300,000,000 revolving credit agreement. Outstanding, and also the recent high point, is $20,833,000. We also accommodate the subject with three conditional sales agreements, made February 1, March 1 and June 15 of 1965. Under these agreements, $4,531,000 is outstanding; the recent high was $5,199,400, owing in 1969. Finally, on April 15, 19[redacted], we approved a $16,000,000 share in a $25,000,000 conditional sales agreement with Chemical - $346,200 is presently owing.

- continued -

December 9, 1969
BANKERS TRUST CO. - Mr. Marziale - There are no lines for the subject at present. We accommodate the subject with a $15,000,000 participation in a $300,000,000 revolving credit agreement. $1,800,000 is both the recent high and the amount presently outstanding. This agreement is on a pro rata basis. There is also an equipment financing arrangement, secured with Penn Co. common stock. As of June 30, 1969, $10,000,000 was outstanding. Altogether, there is $26,000,000 outstanding - $1.8MM on the revolving credit, $22.5MM on secured term loans and $1.7MM on leasing and purchasing agreements. Bank balances average low seven figures. We have a good opinion of this company and its management.

June 23, 1969
MELLON NATIONAL BANK & TRUST CO., Pittsburgh, Pa. - M. J. Holtzman, Credit Officer - The subject continues to be a highly valued customer of ours and excellent balances are maintained. We continue to provide loan accommodation with approximately $22,000,000 outstanding. We have a high regard for the organization and its management.

June 24, 1969
FIRST PENNSYLVANIA BANKING & TRUST CO., Philadelphia, Pa. - C. P. Welster - The subject opened a checking account with us December 29, 1949. Satisfactory depositor with compensating average balances. We make available to the subject unsecured credit equal to our legal lending limit of $12,000,000. Amount outstanding is moderate seven figure amount and the accommodation is handled as arranged. High borrowing has been moderate to medium seven figures. Low borrowing has been a low to moderate seven figure amount.

July 2, 1969
CONTINENTAL ILLINOIS NATIONAL BANK & TRUST CO. OF CHICAGO, Chicago, Ill. - Jerry G. Mast, Vice Pres. - This company has been a valued customer for many years, with balances averaging in substantial proportions. We participate in a number of credit arrangements for this company, both secured and unsecured, and at the present time hold credit available aggregating $19,750,000, of which $14,900,000 is currently in use. In addition, we also participate in direct equipment lease financing for the railroad. The audited financial statement of December 31, 1968, reflects, in our opinion, a good financial condition with profitable operations. We hold the company and its management in high regard and consider its open market note a desirable investment.

September 11, 1969
NATIONAL BANK OF DETROIT, Detroit, Mich. - Mr. Link - We accommodate the subject with a $5,000,000 participation in a $300,000,000 revolving credit agreement, on a pro-rata basis. This agreement is secured with Penn Central common stock. $1,383,000 was outstanding in the first part of July; the entire $5,000,000 was owing some time between May and July. This agreement was last approved in May of 1969. On January 1, 1971, this agreement can convert to a five year term loan. In addition we accommodate with a $1,000,000 line for unsecured borrowings, approved for one year in July of 1969. As of July 3, 1969, nothing was outstanding. There are also Leasing and Purchasing agreements with Penn Central and subsidiaries and we also participate, up to $3,000,000, in a $50,000,000 Eurodollar agreement. Bank balances average moderate to high seven figures. We have a good opinion of management.

- continued -

October 10, 1969
MERCANTILE-SAFE DEPOSIT & TRUST CO., Baltimore, Md. - Robert W. Johnson, Asst. Secy. Asst. Treas. - They (through the old Pennsylvania Railroad Company) have been a customer of ours since 1958. We offer the Company a low seven figure unsecured line of credit; this commitment was originally made in June, 1968, and has never been used. We also participate to a low seven figure amount in a $300,000,000. unsecured revolving credit agreement due Jan. 1, 1971. Borrowings under this arrangement have been in the low seven figures since May of this year. Of course, we continue to have a high regard for the Company and consider them worthy of your continued confidence.

FIRST WISCONSIN NATIONAL BANK, Milwaukee, Wis. - O. E. Onasch, Asst. Cashier - Company has maintained a well-handled commercial account for over 30 years with good balances, and in addition, we hold available a low seven figure unsecured line of credit as well as extend credit under revolving credit agreements with currently a low seven figure amount outstanding and our experience satisfactory in all instances.

October 13, 1969
FIRST NATIONAL BANK IN ST. LOUIS, St. Louis, Mo. - W. A. Heidell, Asst. Vice Pres. Mgr.-Credit Dept. - The account has been with us since 1956 with balances during 1969 ranging in low to medium six figures. Creditwise in May of this year we approved, for the company's use, an unsecured line of credit in the amount of $2,000,000, however, the company has not up to this time had occasion to make use of the commitment. The company is owing us a low seven figure amount under a revolving credit arrangement in which we are participating to the extent of $2,000,000 in a total credit of $300,000,000. Advances under this revolving credit, which was approved in May of this year, are secured.

October 14, 1969
CENTRAL NATIONAL BANK OF CLEVELAND, Cleveland, Ohio - R.G. Goddard, Credit Dept. - We established a commercial account with the subject in 1954. Balances average in medium six figure proportions. Our experience with the account has been satisfactory. We participate to the extent of $1,000,000 in a revolving credit. Also hold available a moderate seven figure unsecured line for short term loans.

FIRST NATIONAL BANK OF CINCINNATI, Cincinnati, Ohio - A. G. White, Credit Dept. - We have had relationships with the subject for a number of years before their merger and they still maintain relationships at this point. Subject maintains substantial deposit balances. We have extended credit under a conditional sales agreement on equipment in good six figure amounts, with a similar amount currently outstanding. We have a high regard for the subject, and would consider them good for their normal credit commitments.

NATIONAL CITY BANK OF CLEVELAND, Cleveland, Ohio - Harry E. Bartrum, Asst. Cashier - We recently approved a $2,500,000 unsecured loan to the Penn Central Company. There is currently $2,500,000 outstanding under this loan. This is in addition to a $3,000,000 participation in a $50,000,000 credit maturing in November, 1969 under which nothing is currently outstanding. Also we hold $1,099,000 of various conditional sales agreements repayable by 1975. Deposit balances have recently averaged in moderate six figure amounts.

October 16, 1969
CENTRAL TRUST CO., Cincinnati, Ohio - Edward [illegible] Lea, Jr., Mgr., Credit Dept. - This company has been our good customer for many years, maintaining deposit balances averaging in substantial proportions. We hold available for the company's use a moderate seven figure unsecured line of credit, which has never been utilized. In addition, we have granted the subject several secured term loans for an aggregate low seven figure amount, against which a good six figure amount is presently outstanding. All account and loan experience has been entirely satisfactory. In view of our satisfactory experience, we believe the Penn Central Company can be considered responsible for its normal obligations.

- continued -

October 16, 1969
CLEVELAND TRUST CO., Cleveland, Ohio - R. O. Young, Credit Officer - .... has maintained a valued deposit relationship with our bank since 1933, with balances of this year consistently averaging in low seven figure proportions. We hold available for the company's use a medium seven figure unsecured line of credit. Active and proper use is being made of the borrowing privilege and currently the full amount is outstanding. This is in addition to our participation in various conditional sales contracts purchased of substantial proportions. Our depository and creditor experience has been entirely satisfactory.

December 3, 1969
FIRST NATIONAL BANK OF CHICAGO, Chicago, Ill. - Miss Budeke - We have a $15,000,000 participation in a $300,000,000 revolving credit agreement, convertible in January of 1971 to a five year term loan expiring January 1, 1976. We also accommodate the subject with a $5,000,000 line for unsecured borrowings. And, we have other commitments totaling close to $17,700,000. (From an earlier letter, 6/23/69, from this bank) - We have had a valued account from the subject dating back for forty-five years. The line for $5MM was last approved in July of 1969. Proper use has been made of our accommodations. We continue to hold the company and its management in high regard and we are pleased to continue our cooperation.

December 15, 1969 - Peter E. Lewine -

Ex. A-84: Memorandum of October 3, 1969 by Vogel

PENN CENTRAL COMPANY PHILADELPHIA, PA.

October 3, 1969

Patrick F. Bowditch, Vice President in the transportation division of the First National City Bank called today. They have just concluded amendments to Penn Central's $300MM revolving credit which would permit the company to borrow up to $450MM including borrowings under the revolver on a short term basis. He had heard that GS&Co. might be having problems in marketing Penn Central's notes and if such were the case, he said that it may be advisable at this time to raise the revolving credit beyond its present level in order to avoid embarrassment to them later. I told Pat that we were having no more trouble marketing Penn Central's notes than any other notes in our portfolio of equally fine companies and barring any horrendous news about the company, we can foresee no trouble in the future. Pat said that the comment on Penn Central had come from a competitor through an associate and as such he had given it little weight. However, he felt that he should check it out in view of their lead position in the revolver. Pat is in complete agreement with our position that Penn Central is a unique credit with substantial asset values. He feels that they have the resources to raise substantial funds if it became absolutely necessary.

GLL, RGW, LED, GVC, RML, PAF

JACK A. VOGEL

Ex. A-110: Memorandum of May 24, 1968 by Robert F. Dall

PENNSYLVANIA NEW YORK CENTRAL TRANSPORTATION COMPANY PHILADELPHIA, PA.

May 24, 1968

Bob Loder, Assistant Treasurer, and Ed Taylor, Counsel, called R. G. Wilson and the writer today to discuss the issuance of c/p. They explained that the $100MM revolving credit which is to be established will not be used to cover the c/p. Instead, the company will arrange straight lines of credit of $50MM in addition to the revolving credit. These lines will then be used to cover c/p outstandings. Bob Loder and Ed Taylor wanted to know if the ICC application should include the issuance of notes under the lines of credit so that there would be no delay in obtaining authorizations in the event there was a need to use the bank lines. RGW and I strongly urged that the application include the request to issue notes to the banks in the event the lines of credit are used. Bob Loder and Ed Taylor both had the impression that in an extremely tight money period GS&Co. might buy a block of notes from Penn Central and then put them back to the company in the event they were not sold. RGW and I very carefully explained that this was not the case and that bank lines should be used in the event we could not take on notes because of unfavorable market conditions. We stressed, however, that we did not envision having to refuse to take the notes of Penn Central. It appears that everything is moving forward here and we would hope that ICC approvals will be obtained in the very near future.

cc: GLL, JCH, JCW, JHR, PAH, RGW, PAF, JAV

ROBERT F. DALL

Ex. B-19: Portion of Conformed copy of $300,000,000 Revolving Credit Agreement dated April 1, 1969

As used herein the term "Limit" shall mean an amount equal at any time to the sum of (i) $5,000,000 per year commencing January 1, 1969, plus (ii) the net depreciated book value of any Unencumbered Assets acquired by Penndel, PL&E and Fort Wayne subsequent to the date hereof and not previously sold or otherwise transferred by them.

(e) Prior to the execution by the Company of the Bond Mortgage, permit Penndel, PL&E or Fort Wayne (i) to enter into any merger or consolidation or (ii) sell or otherwise transfer all or any portion of the Unencumbered Assets in excess of a net depreciated book value which when added to all the assignments or other conveyances of the right to receive income permitted by Section 3.02(d) hereof would exceed in the aggregate the Limit, unless such merger, consolidation, sale or other transfer would not in any way reduce or impair the net depreciated book value of the Unencumbered Assets to the Company.

ARTICLE IV

Conditions Precedent

Section 4.01. The obligation of each Bank to make its initial Advance is subject to the condition precedent that the Agent shall have received on or before the day of the initial Borrowing all of the following, each dated the day of the initial Borrowing, in form and substance satisfactory to the Agent and special counsel for the Banks:

(a) The Revolving Note drawn to the order of such Bank.

(b) Certified copies (in a number sufficient to supply each Bank and the Agent with one copy) of the resolutions of the Board of Directors of the Company evidencing authorization of this Agreement and other matters contemplated hereby and copies of all documents evidencing other necessary corporate action and any necessary governmental approvals or consents (including the order of the Interstate Commerce Commission) with respect to this Agreement, the Pledge Agreement and the Notes, each certified by an authorized officer of the Company.

(c) Copies (in a number sufficient to supply each Bank and the Agent with one copy) of a favorable opinion of counsel for the Company (i) as to the matters referred to in Section 2.01 (except subsections (b) and (f) thereof), (ii) as to the fact that the making and performance by the Company of this Agreement, the Revolving Notes, the Term Notes and the Pledge Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approvals and consents (including the approval or consent of the Interstate Commerce Commission and of any state commission or authority

having jurisdiction with respect thereto) and do not contravene any contractual or governmental restriction binding on the Company, and (iii) as to such other matters as the Agent or any Bank may reasonably request.

(d) Copies (in a number sufficient to supply each Bank and the Agent with one copy) of a certificate of the Secretary or an Assistant Secretary of the Company which shall certify the names of the officer(s) of the Company authorized to sign the Pledge Agreement and the Notes, together with the true signatures of such officer(s).

(e) Copies (in a number sufficient to supply each Bank and the Agent with one copy) of a balance sheet of Penndel, PL&E and Fort Wayne, each dated as of December 31, 1968 and each certified by an authorized officer of the Company.

(f) Copies (in a number sufficient to supply each Bank and the Agent with one copy) of a favorable opinion of Messrs. Shearman & Sterling, special counsel for the Banks, to the effect that the legal details in connection with the execution and delivery of this Agreement, the Notes and the Pledge Agreement are satisfactory to it.

(g) A pledge agreement, substantially in the form of Exhibit D hereto (sometimes herein called the "Pledge Agreement") pledging to the Agent, for the benefit of the Banks, 100% of the common stock of Pennsylvania in order to secure the prompt payment of the Company's indebtedness hereunder and under the Notes.

SECTION 4.02. The obligation of each Bank to make each Advance (including its initial Advance) is subject to the further conditions precedent that on the date of the Borrowing as part of which such Advance is to be made the following statements shall be true and the Agent shall have received copies (in a number sufficient to supply each Bank and the Agent with one copy) of certificates signed by a duly authorized officer of the Company, dated the day of such Borrowing, stating that:

(a) The representations and warranties contained in Section 2.01 hereof (other than those contained in the parenthetic clause of subsection (b) thereof) are true and accurate on and as of such day as though made on and as of such day (except to the extent that such representations and warranties relate solely to an earlier day);

(b) The making and performance of this Agreement, the Notes and the Pledge Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approvals and consents (including the approval or consent of the Interstate Commerce Commission) and do not contravene any contractual or governmental restriction binding upon it; and

(c) No event has occurred and is continuing, or would result from the proposed Borrowing which constitutes an Event of Default hereunder or would constitute an Event of Default but for the requirement that notice be given or time elapse, or both.

SECTION 4.03. The obligation of each Bank to make each Advance (including its initial Advance) is subject to the further conditions precedent that on the date of the Borrowing as part of which such Advance is to be made the Agent shall have received copies (in a number sufficient to supply each Bank and the Agent with one copy) of each document (including, without limitation, Regulation U Form U-1) which, in the opinion of each Bank, it must obtain in connection with its Advance by reason of the provision of any law or regulation applicable to such Bank and in which statements are made such as to permit, in the opinion of such Bank, its Advance to be made in accordance with such law or regulation.

SECTION 4.01. The obligation of each Bank to make its Loan is subject to the further condition precedent that the Agent shall have received for the account of such Bank, on or before the date of such Loan, the Term Note drawn to the order of such Bank.

SECTION 4.05. No extension of the repayment date of any portion of the unpaid principal amount of the Notes pursuant to Section 1.04 hereof shall be effective unless the statements set forth in paragraphs (a), (b) and (c) of Section 4.02 hereof are true and the Agent shall have received each of the following in form and substance satisfactory to the Agent and special counsel to the Banks:

(a) Certified copies (in a number sufficient to supply each Bank and the Agent with one copy) of the resolutions of the Board of Directors of the Company authorizing or approving such extension and certified copies (in a number sufficient to supply each Bank and the Agent with one copy) of all documents evidencing other necessary corporate action and any necessary governmental consents or approvals (including the approval or consent of the Interstate Commerce Commission) in respect to such extension; and

(b) Copies (in a number sufficient to supply each Bank and the Agent with one copy) of a favorable opinion of counsel for the Company stating that such extension has been duly authorized by all necessary corporate action, has received all necessary governmental approvals or consents (including any approvals or consents of the Interstate Commerce Commission and of any state commission or authority having jurisdiction with respect thereto) and that such extension will not result in the violation of any governmental or contractual restriction binding on the Company.

SECTION 7.08. This Agreement may be executed by the parties hereto individually or in any combinations of the parties hereto in several separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

PENN CENTRAL COMPANY

By R. W. LODER
Assistant Vice President

Attest:

G. C. HOLPP
Assistant Secretary

FIRST NATIONAL CITY BANK

By WILLIAM M. R. MAPEL
Vice President

IRVING TRUST COMPANY

By C. W. HAGGERTY
Assistant Vice President

MANUFACTURERS HANOVER TRUST COMPANY

By JOHN J. SULLIVAN
Vice President

BANKERS TRUST COMPANY

By BRUCE NICHOLS
Assistant Vice President

CHEMICAL BANK

By CHARLES E. HAYWARD, JR.
Vice President

Ex. AA: Penn Central Transportation Company
source and application of funds
schedule, dated January 28, 1970

PENN CENTRAL TRANSPORTATION COMPANY
SOURCE AND APPLICATION OF FUNDS

EXHIBT II

1883 a

Dollars in Millions Ex (SULLIVAN) 8 FOR ID HC 12/18/74

	Financial Plan 1970	Year 1969 Preliminary
SOURCE		
Net Income	$(56.0)	$(56.2)
Non Cash Income		
Tax Allocation Accrual	(24.5)	(21.5)
Other Non Cash Dividends	(2.0)	(24.1)
Profit on Sale of Property	(16.0)	(12.0)
	(98.5)	(113.8)
Other		
Financing		
Equipment - C.S.A.	-	74.7
Equipment - Leasing	70.0	86.9
Other	155.0	339.3 - from 1969 CF Book
	225.0	500.9
Proceeds from Sale of Property	50.0	24.5
Salvage	20.0	22.2
Depreciation	90.0	92.7
Advances from Subsidiaries	-	24.6
Change in Receivables and Material	15.0	(55.0)
Tax Allocation Receipts	21.5	14.2
MTA - CTA	7.2	-
Other Assets and Deferred Charges	-	(13.5)
Government Contribution N.E.C. (7/1/70)	5.4	-
Other	-	(3.7)
	434.1	606.9
TOTAL SOURCE	335.6	493.1
APPLICATION		
Capital Program - Equipment		
C.S.A.	-	74.7
Leasing	70.0	86.9
Other	10.0	4.7
	80.0	166.3
Capital Expenditures - Road	86.4	105.5
New Haven Upgrading	15.0	16.9
Dividends *	-	43.3
Debt Retirement	126.0	79.3
Merger Reserve	16.0	15.8
Special Deposits	-	3.6
Advances to Subsidiaries	-	16.9
Other	35.4	18.9
TOTAL APPLICATION	358.8	466.5
Net Increase (Decrease) in Cash	(23.2)	26.6
Beginning Cash	73.5	46.9
Ending Cash	$ 50.3	$ 73.5

* Before Board Action on 1970 Dividend

January 28, 1970

Ex. AD: Memorandum of February 5, 1970 on Pennsylvania Company and Penn Central Company by Edward A. Jones of Manufacturers Hanover Trust Company

February 5, 1970 -- A meeting called by the Penn Central was held at First National City Bank. Representing the Penn Central Company were Dave Bevan, Chairman of the Finance Committee, Jon O'Herron, Vice President-Finance, John Shaffer, Treasurer, Charlie Hill, Vice President-Controller, and Bob Ladder, Assistant Vice President. The banks represented at the meeting were First National City (Pat Bowditch), Chemical, Irving Trust and MHTCo. The purpose of the meeting was twofold: to discuss the operations of the Penn Central past and future and to request an additional $50 million in loans to be borrowed by the Pennsylvania Company (Pennco).

Financial Requirements: The Penn Central system forecasts the need for $165 million in capital expenditures during 1970. Plans are to raise the money as follows: a $100 million debenture issue of Pennco with warrants attached for the purchase of $50 million Great Southwest common stock and $50 million Penn Central common stock. An additional $50 million will be raised later in the year by a method yet to be determined. However, the company feels they have a number of options open to them. The additional $10 to $15 million needed would be raised through the sale of commercial paper. Timing calls for the $100 million Pennco debenture to be ready for sale, either publicly or privately depending upon market conditions, within 60 to 120 days. First Boston Corporation and Glore Forgan are heading this underwriting. Bevan believes that the underwriting will be well received in light of the warrants attached. However, the company has an immediate need for $50 million which they would like to borrow from the banks between now and the middle of March. These loans will then be fully paid out from the proceeds of the debenture sale.

There was no indication given during the meeting as to what the reaction of the various banks would be to this request. However, following the meeting, Pat Bowditch indicated privately to Paul Hanna and me that he would suggest that the company seek the fund in the Eurodollar market. We can expect to hear from Bowditch on Tuesday or Wednesday as to the company's reaction to his suggestion.

Bevan also outlined additional financing plans for the railroad which would involve the bank revolving credit. The Pittsburgh and Lake Erie Railroad has no bonded debt on its balance sheet. Bevan is contemplating the sale of $50 to $100 million of such debt some time during 1970. The proceeds would be used to prepay the first and second years' installments under the term portion of the revolving credit. His goal is to reduce the outstandings under the revolving credit as much as possible and as quickly as possible. He also intends to reduce commercial paper outstandings. The blanket mortgage which has been discussed in the

February 5, 1970 -- Continued

past is still being worked on. However, they see little possibilities for this until such time as the railroad's operations improve and market conditions become more favorable.

Operations: Mr. Bevan discussed at some length the operations of the company for the past year. The company's problems still stem largely from the merger. He thought the major problems rested in two areas, accounting and data processing. Problems in these areas contributed to poor car utilization, substantial overtime pay and a substantial increase in per diem expense. Bevan, however, did cite what he thought would be indications of improvement. He believes that their service, particularly in the freight area, is now competitive and in that they are making progress in regaining lost traffic. Their per diem expense, although still substantial, was $6 1/2 million less during 1969 than versus 1968. The railroad reduced its payroll by 4,500 people during 1969 and expects to eliminate an additional 6,000 people during 1970. At $10,000 salary per person this would mean a savings of $60 million on an annual basis. Additional personnel changes will be made, including a reorganization of the Sales Department and Bevan feels that even given the short time that he has been on the job, Paul Gorman has proved his worth to the company.

The railroad took a $126 million write off representing a reduction to salvage value of their long haul passenger assets. This was done with the approval of Peat Marwick. There are no immediate tax consequences on this write off but the reduction will reduce depreciation by approximately $4.7 million per year. Receivables continue to be a problem in that they are running 15 1/2 business days. Under regulations, freight bills are not supposed to run longer than 5 business days, however, this has never been adhered to in the industry. Eight days would be considered good and the company is exercising efforts to reduce their high receivables.

During 1969 virtually all of the diversified subsidiaries showed significant growth. They expect this trend to continue into 1970. Senior management of the railroad is also optimistic about obtaining favorable reaction out of Washington for their commuter passenger service. The Penn Central carries 35% of all passenger service in the country and they are estimating that

February 5, 1970 -- Continued

they will receive approximately $18 million in subsidies during the year. However, they feel that the amount is not as significant as the fact that the door will be open for additional subsidies of substantially higher amounts. These subsidy payments have not been included in the company's cash flow forecasts for the year. We were provided with a sources and application of funds for the transportation company for the past year and their estimates for 1970. This material is included in the file. The transportation company's forecast of operations for 1970 calls for operating revenues of $1,856 million and a net loss of nearly $56 million, slightly below the operating loss for 1969. On a fully consolidated basis, however, the Penn Central is expected to show profits for the year. Another significant point brought out in the sources and applications of funds for the transportation company is the reduction of cash during the year 1970 of $23 million leaving a forecasted cash balance at year end of only $50 million.

Edward A. Jones:mc

Ex. BM: Memorandum of December 1, 1969
from Wilson to Doty

1887 a

CONFIDENTIAL

INTERNAL USE ONLY

MEMORANDUM

December 1, 1969

To: George Doty

From: Bob Wilson

Re: Finance Inventory Names

Because of present market conditions, we are setting new internal guidelines on inventorying notes as a discipline to our selling effort. The purpose of the guidelines is to steer our selling efforts on a priority basis to the most important situations. Hence, if we are faced with a large maturity of a particular issuer, our inventory ought to be moved out in anticipation of the issuer's needs. The buying officers should be in continuing contact with the Sales Department to accomplish this objective.

The following list of names and limits is suggested as appropriate maximums at which to keep our inventory:

Afco Credit Corporation - if necessary, $1MM
Allied Stores Credit Corporation - if necessary, in the $5MM range
American Credit Corporation - $2MM
American Express Credit Corporation - $3MM to $5MM
American Investment Company - if necessary, in the $5MM range
Amfac Financial Corp. - $1MM to $2MM, if necessary
Amsterdam Overseas Corporation - 0
Anderson Clayton Finance Corp. - $2MM to $3MM
Appliance Buyers Credit Corporation - $2MM
Associated Dry Goods Corporation - $3MM
Avco Delta Corporation - if necessary, in the $5MM to $10MM range
Avis Rent A Car System, Inc. - $3MM to $5MM
The Bankers Investment Company - $250M
Beech Acceptance Corporation - $2MM
Butler Finance Company - $250M
B-W Acceptance Corporation - if necessary, in the $5MM range
Carco Acceptance Corporation - $1MM
J. I. Case Credit Corporation - if necessary, in the $5MM range
Cessna Finance Corporation - $350M

The Chessie Corporation - $5MM
Crompton-Richmond Co. - $500M maximum
Crown Finance Corporation - $250M
John Deere Credit Company - if necessary, in the $4MM range
The Diners' Club - $1MM
EAC Credit Corporation - $2MM
Equilease Corporation - $500M
Family Finance Corporation - $3MM
~~Finserv Corporation - $3MM~~
Fruehauf Finance Company - $4MM
Household Finance Corporation - substantial amounts, with reference to our overall position
IDS Leasing Corporation - $1MM to $2MM
Iselin-Jefferson Financial Company - 0
ITT Aetna Finance - $1MM to $2MM
Koehring Finance Corp. - $1MM
Macy Credit Corp. - $5MM
Massey-Ferguson Credit Corporation - $2MM
Sperry Rand Financial Corporation - if necessary, $5MM
Thorp Finance Corporation - $1MM to $2MM
U. S. Leasing Corporation - $500M
White Motor Credit Corporation - $5MM

cc: JCH
GVC
LED
JJP
MJT
RML
RJS
AES
SPC

1889a

Ex. (SULLIVAN) # FOR I.D
NC
12/18/74

9:00 JJS

Bank Name	Secured Commitment $300MM Revolving Cr.	Unsecured Bank Lines	Unsecured Eurodollar Loan $50MM	Unsecured Working Cap.-Loan $30.4MM	Unsecured Other Loans	Unsecured Total PCTC	PENNCO Chemical $50MM	PENNCO Other	PENNCO Total Pennco	Total PCTC + Pennco
First National City Bank	35.0	-	10	18.2	-	63.2	-	-	-	63.2
-Morgan Guaranty	25.0	-	-	-	-	25.0	-	.3	.3	25.3
-Mellon National	15.0	-	2	-	-	17.0	5.0	-	5.0	22.0 ✓
-Chase Manhattan	12.0	-	-	12.2	-	24.2	10.0	-	10.0	34.2 ✓
-Marine Midland, Buffalo	5.0	-	4	-	-	9.0	-	-	-	9.0
Irving Trust Company	25.0	-	5	-	-	30.0	5.0	-	5.0	35.0 ✓
Manufacturers Hanover Trust Co. ✓	20.0	-	3	-	7.5	30.5	10.0	-	10.0	40.5 ✓
Bankers Trust Co.	15.0	-	-	-	-	15.0	-	-	-	15.0
Chemical Bank	15.0	-	4	-	-	19.0	10.0	2.2	12.2	31.2 ✓
Continental Illinois Nat'l Bk & Trust Co. of Chicago	15.0	-	4	-	-	19.0	-	-	-	19.0
The First Nat'l Bk of Chicago	15.0	5.0	8	-	-	28.0	-	-	-	28.0
United California Bank MHT	10.0	-	2	-	-	12.0	-	-	-	12.0
Crocker-Citizens Nat'l Bank MHT	7.0	-	-	-	-	7.0	-	-	-	7.0
Bank of America, N. T. & S. A. MHT	5.0	-	2	-	-	7.0	-	-	-	7.0
First National State Bank of N.J. MHT	5.0	-	-	-	-	5.0	-	-	-	5.0
Franklin National Bank	5.0	-	-	-	-	5.0	-	-	-	5.0
Maryland National Bank MHT	5.0	-	-	-	-	5.0	-	-	-	5.0
National Bank of Detroit MHT	5.0	1.0	3	-	-	9.0	-	-	-	9.0
The Northern Trust Company MHT	3.5	-	-	-	-	3.5	-	-	-	3.5
Industrial National Bank of Rhode Island	3.0	-	-	-	-	3.0	-	-	-	3.0
National Newark & Essex Bank	3.0	-	-	-	-	3.0	-	-	-	3.0
Old Kent Bank & Trust Company	3.0	-	-	-	-	3.0	-	-	-	3.0
The Connecticut Bk & Trust Co. C B.	3.0	-	-	-	-	3.0	-	-	-	3.0
Republic National Bank of Dallas MHT ✓	2.5	-	-	-	-	2.5	-	-	-	2.5
The National Shawmut Bk of Boston C B.	2.3	-	-	-	2.1	4.4	-	-	-	4.4
American Fletcher Nat'l Bk & Trust Co.	2.0	-	-	-	-	2.0	-	-	-	2.0
American Security & Trust Co (D.C.) MHT ✓	2.0	-	-	-	-	2.0	-	-	-	2.0
Bank of Montreal, N.Y. Agency C B	2.0	-	-	-	-	2.0	5.0	-	5.0	7.0
First National Bank in St. Louis C B	2.0	1.5	-	-	-	3.5	-	-	-	3.5
First Wisconsin Nat'l Bank of Mil.	2.0	2.0	3	-	-	7.0	-	-	-	7.0

1890a

Name	Secured	Unsecured					PENNCO			(2)
	Commitment $300MM Revolving Cr.	Unsecured Bank Lines	Eurodollar Loan $50MM	Working Cap.-Loan $30.4MM	Other Loans	Total PCTC	Chemical $50MM	Other	Total Pennco	Total PCTC & Pennco
Artford Nat'l Bk & Trust Co. CB	2.0	-	-	-	-	2.0	-	-	-	2.0
Industrial Valley Bk & Trust Co. MHTJ	2.0	-	-	-	-	2.0	-	-	-	2.0
Mercantile Trust Co., N.A. (St. Louis) CB	2.0	1.5	-	-	-	3.5	-	-	-	3.5
Rhode Island Hosp. Trust Co. MHTJ	2.0	-	-	-	-	2.0	-	-	-	2.0
State Bank of Albany	2.0	-	-	-	-	2.0	-	-	-	2.0
Western Penn. Nat'l Bank	2.0	1.5	-	-	-	3.5	-	-	-	3.5
The Connecticut Nat'l Bank MHTJ	1.8	-	-	-	-	1.8	-	-	-	1.8
The Union Nat'l Bank of Pittsburgh	1.6	1.0	-	-	-	2.6	-	-	-	2.6
Mercantile Safe Deposit Trust Co.	1.5	2.0	-	-	-	3.5	-	-	-	3.5
Union Trust Co.	1.5	-	-	-	-	1.5	-	-	-	1.5
The Indiana Nat'l Bank of Ind.	1.3	1.0	-	-	-	2.3	-	-	-	2.3
American Bk & Trust Co of Pa. MHTJ	1.0	-	-	-	-	1.0	-	-	-	1.0
Canadian Imperial Bk of Commerce	1.0	-	-	-	-	1.0	-	-	-	1.0
Central Nat'l Bk of Cleveland	1.0	2.0	-	-	-	3.0	-	-	-	3.0
Citizens Fidelity Bk & Trust Co. MHTJ	1.0	-	-	-	-	1.0	-	-	-	1.0
City National Bk of Detroit	1.0	-	-	-	-	1.0	-	-	-	1.0
First & Merchants Nat'l Bk. MHTJ	1.0	-	-	-	-	1.0	-	-	-	1.0
First Jersey National Bk MHTJ	1.0	-	-	-	-	1.0	-	-	-	1.0
First Nat'l Bk of Akron	1.0	-	-	-	-	1.0	-	-	-	1.0
The Nat'l Bk of Washington	1.0	-	-	-	-	1.0	-	-	-	1.0
The Ohio Nat'l Bk	1.0	-	-	-	-	1.0	-	-	-	1.0
The Toledo Trust Co.	1.0	-	-	-	-	1.0	-	-	-	1.0
Harris Trust Chicago MHTJ	-	1.0	-	-	-	1.0	-	-	-	1.0
The First Nat'l Bk of Cincinnati	-	4.0	-	-	-	4.0	-	-	-	4.0
Cleveland Trust Co.	-	5.0	-	-	5.0	10.0	-	-	-	10.0
The Huntington Nat'l Bk	-	1.0	-	-	-	1.0	-	-	-	1.0
Nat'l City Bk Cleveland	-	3.0	-	-	-	3.0	-	-	-	3.0
Winters Nat'l Bak & Trust Co.	-	1.0	-	-	-	1.0	-	-	-	1.0
National Central Bk (Harrisburgh, Pa.)	-	1.0	-	-	-	1.0	-	-	-	1.0
Brown Bros. Harriman & Co.	-	2.0	-	-	-	2.0	-	-	-	2.0
First National Bk of Miami MHTJ	-	1.0	-	-	-	1.0	-	-	-	1.0
Lincoln Nat'l Bk & Trust Co.	-	1.0	-	-	-	1.0	-	-	-	1.0
South Jersey Nat'l Bk MHTJ	-	1.0	-	-	-	1.0	-	-	-	1.0

1891 a

...k Name	Secured Commitment $300MM Revolving Cr.	Unsecured Unsecured Bank Lines	Unsecured Eurodollar Loan $50MM	Unsecured Working Cap.-Loan $30.4MM	Unsecured Other Loans	Unsecured Total PCTC	PENNCO Chemical $50MM	PENNCO Other	PENNCO Total Penn...	...tal TC & ...ennco
Fidelity Union Trust Co. (Newark)	-	2.0	-	-	-	2.0	-	-	-	2.0
Manufacturers & Traders Trust Co. MHT	-	2.0	-	-	-	2.0	-	-	-	2.0
Lincoln Rochester Trust Co.	-	1.0	-	-	-	1.0	-	-	-	1.0
The Central Trust Co. (Cinn)	-	1.0	-	-	-	1.0	-	-	-	1.0
First National Bk of Maryland MHT —	-	1.0	-	-	-	1.0	-	-	-	1.0
Girard Trust Phil. MHT co	-	-	-	-	-	-	-	-	-	1.0
Fidelity Trust Phil. MHT co	-	-	-	-	-	-	2.0	-	2.0	2.0
Nat'l Boulevard Bk co	-	-	-	-	-	-	1.0	-	1.0	1.0
Pittsburgl National co	-	-	-	-	-	-	1.0	-	1.0	1.0
Total	300.0	46.5	50.0	30.4	14.6	441.5	50.0	2.5	52.5	494.0

Central Penn 2.2 mill

Ex. CU: Portion of Computer run of Goldman Sachs' daily transactions in commercial paper of Penn Central Transportation Co.; legend and portion showing transactions on March 13, and March 16, 1970

LEGEND FOR
GOLDMAN, SACHS & CO.
COMMERCIAL PAPER DAILY TRANSACTIONS
FROM 7/31/68 to 12/31/70
(EXHIBIT CU)

Code No.	Explanation
0100	Purchase by Goldman, Sachs (generates maturity entry (1800))
0106	Prepayment by Company to Holder (generates negative maturity entry (1806))
0109	Returns to Company (generates negative maturity entry (1809))
0118	Collection (Goldman, Sachs holds in inventory and collects at maturity)
0200	Sale by Goldman, Sachs
0203	Buy Back from Holder by Goldman, Sachs
1800	Maturity
1806	Negative maturity (displayed on original maturity date and reflects that this item was prepaid)
1809	Negative maturity (displayed on original maturity date and reflects that this item was returned to Company)

Ex. BY: List of banks participating in various loans to Penn Central and Pennsylvania Company

ISSUE/ DATE	AMOUNT	DISC. DATE	MAT. DATE	BUY RATE	SELL RATE	NEF #	INVESTOR		CODE
PENN CENTRAL TRANSPORTATION									
3/13/70	1,000,000	3/13/70	6/15/70	8.625		103512			0100
3/13/70	1,250,000	3/13/70	7/10/70	8.875		103440			0100
* TOTAL PURCHASES				$2,250,000		2 *			
3/13/70	1,000,000	3/13/70	6/15/70	8.625	8.50	010082	FRANKLIN SAVINGS BANK	71-51452-3	0200
3/13/70	1,250,000	3/13/70	7/10/70	8.875	8.75	010087	BANK OF NEW YORK	71-46193-3	0200
3/13/70	300,000	3/13/70	9/25/70	8.75	8.50	010770	FIRST SECURITY NATIONAL BANK	71-87250-4	0200
3/13/70	1,000,000	3/13/70	9/25/70	8.75	8.50	010810	OLYMPIA BREWING CO.	71-37582-5	0200
* TOTAL SALES				$3,550,000		4 *			
3/13/70	2,750,000	3/13/70	9/25/70	8.75	8.75	010828	FLETCHER JONES	71-32432-5	0203
* TOTAL BUY-BACKS				$2,750,000		1 *			
3/13/70	500,000	2/13/70	3/13/70	8.75	8.75	201090			1800
* TOTAL MATURITIES				$500,000		1 *			
*** INVENTORY	$4,700,000	***			***	OUTSTANDINGS	$194,575,000	***	
	$3,250,000	DUE	9/07/70						
		DUE	6/15/70	SOLD OUT					
		DUE	7/10/70	SOLD OUT					
	$1,450,000	DUE	9/25/70	NEXT ACTIVITY AGAINST THIS MATURITY ON 3/16/70					

1893a

ISSUE/PURCH DATE	AMOUNT	DISC. DATE	MAT. DATE	BUY RATE	SELL RATE	REF #	INVESTOR		CODE
PENN CENTRAL TRANSPORTATION									
3/10/70	5,000,000	3/16/70	4/17/70	8.625		103545			0100
3/10/70	300,000	3/16/70	4/23/70	8.625		203764			0100
3/10/70	400,000	3/16/70	5/18/70	8.625		203532			0100
3/10/70	1,000,000	3/16/70	5/20/70	8.625		103612			0100
3/10/70	500,000	3/16/70	6/22/70	8.625		203785			0100
3/10/70	300,000	3/16/70	6/30/70	8.625		203827			0100
3/10/70	2,000,000	3/16/70	6/30/70	8.625		103592			0100
* TOTAL PURCHASES				$9,500,000		? *			
3/10/70	5,000,000	3/16/70	4/17/70	8.625	8.50	010874	PUTNAM GROWTH FUND	71-15965-1	0200
3/10/70	300,000	3/16/70	4/23/70	8.625	8.50	011015	MELLON NATIONAL BANK&TRUST CO.	71-57356-3	0200
3/10/70	1,000,000	3/16/70	5/20/70	8.625	8.50	010456	FIRST NATIONAL BANK OF TULSA	71-73526-4	0200
3/10/70	500,000	3/16/70	6/22/70	8.625	8.50	010942	FRANKLIN SAVINGS BANK	71-51452-3	0200
3/10/70	300,000	3/16/70	6/30/70	8.625	8.50	011012	NATIONAL BANK OF NORTH AMERICA	71-56348-3	0200
3/10/70	600,000	3/16/70	9/25/70	8.75	8.50	011079	UNION BANK	71-42364-5	0200
3/10/70	2,000,000	3/16/70	6/30/70	8.625	8.50	010435	MARINE MIDLAND GRACE TRUST CO.	71-52140-3	0200
* TOTAL SALES				$9,700,000		? *			

1894a

1894a

ISSUE-/ DATE	AMOUNT	DISC. DATE	MAT. DATE	RATE	SELL RATE	REF #	INVESTOR	CODE
PENN CENTRAL TRANSPORTATION								
3/10/70	400,000	1/10/70	3/10/70	8.625	8.50	003337		1800
3/10/70	700,000	12/12/69	3/10/70	8.625	8.50	006645		1800
3/10/70	300,000	12/22/69	3/10/70	8.625	8.50	006645		1800
3/10/70	1,000,000	12/31/69	3/10/70	8.625	8.50	006653		1800
3/10/70	400,000	1/20/70	3/10/70	8.625	8.50	100276		1800
3/10/70	1,700,000	1/22/70	3/10/70	8.625	8.50	200245		1800
3/10/70	5,000,000	2/14/70	3/10/70	8.625	8.50	201755		1800
* TOTAL MATURITIES				$9,500,000		7 *		

*** INVENTORY $4,500,000 *** *** OUTSTANDINGS $194,575,000 ***

	DUE 4/17/70	SOLD OUT	
	DUE 4/23/70	SOLD OUT	
$3,250,000	DUE 5/07/70		
$400,000	DUE 5/18/70	NEXT ACTIVITY AGAINST THIS MATURITY ON 3/18/70	
	DUE 5/26/70	SOLD OUT	
	DUE 6/26/70	SOLD OUT	
	DUE 6/30/70	SOLD OUT	
$850,000	DUE 9/25/70	NEXT ACTIVITY AGAINST THIS MATURITY ON 3/19/70	
	DUE 9/30/70	SOLD OUT	

1895a

Ex. CW: Portion of Computer Run showing Goldman, Sachs & Co., daily summary totals for Penn Central commercial paper and for all commercial paper sold or held by Goldman, Sachs as dealer; portion showing summary totals for December 19, 1969 through March 20, 1970

COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/15/70

RUN DATE 3/07/75

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	COUPS	SALES	BUY-BACK	ALL C / P OUTSTANDINGS MATURITIES	INVENTORY
PENN CENTRAL TRANSPORTATIO										
12/19/69	$200,000M	$16,170M	$6,400M				$6,700M		$5,101,816M $202,480M	239,474
12/20/69	$200,000M	$16,170M							$5,101,816M	239,474
12/21/69	$200,000M	$16,170M							$5,101,816M	239,474
12/22/69	$200,000M	$16,520M	$10,550M				$10,700M		$5,027,439M $226,327M	239,519
12/23/69	$200,000M	$16,320M	$4,050M				$4,250M		$4,984,273M $263,681M	245,454
12/24/69	$183,830M	$50M		$16,170M			$100M		$4,957,483M $117,675M	206,769
12/25/69	$183,830M	$50M							$4,957,483M	206,769
12/26/69	$183,830M	$4,050M	$4,000M						$4,925,277M $170,594M	210,565
12/27/69	$183,830M	$4,050M							$4,925,277M	210,565
12/29/69	$183,830M	$4,050M							$4,925,277M	210,565
12/29/69	$183,830M	$5,815M	$2,415M				$650M		$4,910,379M $227,501M	240,405
12/30/69	$181,080M	$5,585M	$1,900M				$1,750M		$4,910,379M $221,561M	220,050
12/31/69	$181,230M	$3,215M	$4,150M				$2,300M		$4,870,472M $301,515M	232,590
1/01/70	$181,230M	$3,815M							$4,870,472M	232,590
1/02/70	185,580M	$2,215M	$7,500M				$9,100M		4,753,152M $206,712M	100,640
1/03/70	185,580M	$2,215M							4,753,152M	100,640

* NOTE-P.M DENOTES CCO *

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COMMERCIAL PAPER DAILY SUMMARY TOTALS

RUN DATE 3/07 75

FROM 1/01/69 TO 8/19/70

DATE	OUTSTANDINGS	INVENTORY	PURCHASES	A.T.C.	PREPAYS	DEALS	SALES	BUYBACK	ALL C/P OUTSTANDINGS	ALL C/P LIABILITIES	ALL C/P INVENTORY
PENN CENTRAL TRANSPORTATIO											
1/04/70	185,580M	$2,215M							4,753,152M		196,840
1/05/70	185,580M	$4,265M	$5,650M			$6,600M			4,785,286M	$317,422M	194,370
1/06/70	185,580M	$4,290M	$3,525M			$3,600M			4,873,364M	$201,125M	170,355
1/07/70	190,830M	$4,150M	$5,700M			$6,300M	$500M		4,879,629M	$186,078M	166,514
1/08/70	190,830M	$6,515M	$8,950M			$6,225M			4,885,749M	$161,736M	175,035
1/09/70	195,780M	$11,750M	$6,950M			$2,115M			4,893,553M	$143,325M	164,435 XXXXXXXXXXXX 162,425
1/10/70	195,780M	$11,750M							4,893,553M		162,425
1/11/70	195,780M	$11,750M							4,893,553M		162,425
1/12/70	196,680M	$18,650M	$7,100M						4,824,656M	$317,036M	190,801
1/13/70	200,000M	$15,895M	$3,695M			$7,350M	$700M		4,876,174M	$126,058M	190,716
1/14/70	200,000M	$13,995M	$500M			$2,400M			4,913,246M	$165,616M	221,610
1/15/70	200,000M	$12,045M	$6,000M			$5,550M			4,851,547M	$310,323M	243,900
1/16/70	200,000M	$14,945M	$6,675M			$3,775M			4,928,973M	$152,111M	229,912
1/17/70	200,000M	$14,945M							4,928,973M		229,912
1/18/70	200,000M	$14,945M							4,928,973M		229,912
1/19/70	200,000M	$14,100M	$8,300M			$9,145M			4,946,332M	$225,702M	250,685

* NOTE M DENOTES 000 *

1897a

GOLDMAN SACHS AND CO.
COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/19/70

RUN DATE 3/07/75

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY
THE PENN CENTRAL COMPANY											
1/20/70	200,000M	$14,600M	$10,450M	$6,000M			$3,750M		5,013,429M	$218,581M	241,891
1/21/70	200,000M	$15,720M	$3,100M				$2,170M		5,051,839M	$157,565M	237,306
1/22/70	200,000M	$18,120M	$5,950M				$3,950M		5,045,868M	$228,266M	210,621
1/23/70	200,000M	$13,070M	$2,400M				$7,650M		5,067,886M	$179,039M	215,625
1/24/70	200,000M	$13,070M							5,067,886M		215,625
1/25/70	200,000M	$13,070M							5,067,886M		215,625
1/26/70	200,000M	$18,570M	$7,500M				$4,000M		5,029,655M	$287,215M	220,561
1/27/70	200,000M	$17,370M	$1,500M				$700M		5,097,608M	$125,381M	220,381
1/28/70	200,000M	$13,220M	$6,000M	$8,000M			$4,150M		5,139,246M	$182,660M	221,965
1/29/70	200,000M	$12,620M	$6,800M				$7,400M		5,141,654M	$211,861M	243,906
1/30/70	200,000M	$13,710M	$4,485M				$3,325M		5,143,703M	$335,228M	263,325
1/31/70	200,000M	$13,710M							5,143,703M		263,325
2/01/70	200,000M	$13,710M							5,143,703M		263,325
2/02/70	200,000M	$9,810M	$5,500M	$5,000M			$5,200M		5,124,130M	$267,428M	248,170
2/03/70	200,000M	$10,110M	$5,500M				$3,400M		5,209,497M	$131,577M	240,353
2/04/70	200,000M	$15,910M	$6,800M				$1,000M		5,223,072M	$161,282M	261,771

* NOTE M DENOTES 000 *

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RUN DATE 3/07/75 PAGE 1/01/69 THRU 6/19/70

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY
PENN CENTRAL TRANSPORTATIO											267,010
2/05/70	200,000M	$14,210M	$4,900M	$2,000M			$6,600M		5,239,144M	$185,513M	
2/06/70	200,000M	$14,150M	$6,660M	$2,950M			$8,060M		5,241,623M	$185,666M	240,030
2/07/70	200,000M	$14,150M							5,241,623M		240,000
2/08/70	200,000M	$14,150M							5,241,623M		240,000
2/09/70	190,000M	$4,650M	$2,000M	$10,000M			$1,500M		5,233,583M	$182,078M	242,900
2/10/70	190,000M	$3,000M	$4,850M				$6,300M		5,271,815M	$200,663M	240,000
2/11/70	191,430M	$1,700M	$3,330M				$6,630M		5,277,731M	$176,563M	259,252
2/12/70	191,430M	$1,700M							5,286,921M		259,000
2/13/70	190,030M	$5,900M	$6,800M				$2,750M	$350M	5,322,623M	$208,313M	257,025
2/14/70	190,030M	$5,900M							5,322,623M		257,000
2/15/70	190,030M	$5,900M							5,322,623M		257,025
2/16/70	193,730M	$4,800M	$6,800M				$7,600M		5,281,324M	$206,835M	260,700
2/17/70	191,200M	$3,470M	$300M		$330M		$1,300M		5,329,628M	$174,901M	281,440
2/18/70	191,725M	$3,470M	$3,525M				$3,525M		5,394,232M	$148,588M	260,104
2/19/70	195,525M	$3,370M	$5,000M				$5,100M		5,453,436M	$165,794M	254,378
2/20/70	192,555M	$1,000M	$2,150M	$3,140M		$250M	$1,150M		5,481,751M	$231,216M	240,114

* NOTE M = DENOTES 000 *

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COLEMAN SACHS AND CO.
COMMERCIAL PAPER DAILY SUMMARY TOTALS

RUN DATE 3/07/75 PAGE 1/01/69 THRU 6/19/70

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY
PENN CENTRAL TRANSPORTATIO											

RUN DATE 3/07/75

COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/19/70

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY
PENN CENTRAL TRANSPORTATIO											
2/21/70	192,555M	$1,000M							5,481,751M		240,114
2/22/70	192,555M	$1,000M							5,481,751M		240,114
2/23/70	192,555M	$1,000M							5,481,751M		240,114
2/24/70	191,655M	$1,000M	$1,330M				$1,330M		5,479,848M	$285,656M	280,470
2/25/70	193,375M		$3,000M				$4,000M		5,518,140M	$186,516M	262,203
2/26/70	190,950M		$500M				$500M		5,457,470M	$288,137M	261,306
2/27/70	191,225M		$4,100M				$4,100M		5,486,165M	$318,074M	245,727
2/28/70	191,225M								5,486,165M		245,727
3/01/70	191,225M								5,486,165M		245,727
3/02/70	192,225M	$6,000M	$10,450M				$1,450M		5,468,082M	$310,332M	201,751
3/03/70	192,075M		$10,100M	$9,000M			$10,100M		5,544,010M	$180,681M	261,220
3/04/70	191,075M	$3,050M	$4,000M				$4,050M		5,601,531M	$182,777M	274,803
3/05/70	192,600M	$3,450M	$6,000M				$6,000M		5,642,773M	$195,434M	276,005
3/06/70	199,300M	$2,790M	$12,200M				$12,500M		5,712,613M	$170,967M	256,774
3/07/70	199,300M	$2,790M							5,712,613M		256,774
3/08/70	199,300M	$2,790M							5,712,613M		256,774

* NOTE M DENOTES 000 *

1900a

COLEMAN SACHS AND CO.
COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/19/70

RUN DATE 3/07/75

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY

GOLDMAN SACHS AND CO.
COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/15/70

RUN DATE 3/07/75

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY
PENN CENTRAL TRANSPORTATIO											237,033
3/09/70	192,775M	$2,750M	$1,575M				$1,575M		5,721,499M	$263,188M	
											231,667
3/10/70	195,225M	$2,750M	$5,000M				$5,000M		5,767,463M	$156,547M	
											235,057
3/11/70	195,225M	$3,250M	$1,500M				$1,000M		5,839,554M	$138,351M	
											191,052
3/12/70	196,725M	$3,250M	$5,500M				$5,500M		5,855,223M	$169,456M	
											194,258
3/13/70	198,475M	$4,700M	$2,250M				$3,550M	$2,750M	5,882,625M	$216,526M	
											194,258
3/14/70	198,475M	$4,700M							5,882,625M		
											194,258
3/15/70	198,475M	$4,700M							5,882,625M		
											241,420
3/16/70	198,475M	$4,500M	$9,500M				$9,700M		5,811,762M	$308,373M	
											200,070
3/17/70	195,350M	$4,500M	$1,000M				$1,000M		5,905,531M	$174,505M	
											259,911
3/18/70	196,600M	$3,950M	$1,500M				$2,050M		5,969M	$201,094M	
											276,709
3/19/70	194,600M	$2,000M	$400M				$2,350M		6,052,094M	$122,572M	
											292,032
3/20/70	196,950M	$2,000M	$2,850M				$2,450M		6,073,649M	$108,130M	
											292,032
3/21/70	196,950M	$2,000M							6,073,649M		
											292,032
3/22/70	196,950M	$2,000M							6,073,649M		
											302,643
3/23/70	196,850M	$2,000M	$500M				$500M		6,072,594M	$206,565M	
											284,420
3/24/70	194,300M	$2,000M	$2,400M				$2,400M		6,070,559M	$175,185M	

* NOTE M DENOTES 000 *

1901a

GOLDMAN SACHS AND CO.
COMMERCIAL PAPER DAILY SUMMARY TOTALS
FROM 1/01/69 THRU 6/15/70

RUN DATE 3/07/75

ISSUER / DATE	OUTSTANDINGS	INVENTORY	PURCHASES	R.T.C.	PREPAYS	CALLS	SALES	BUY-BACK	ALL C/P OUTSTANDINGS	ALL C/P MATURITIES	ALL C/P INVENTORY

Ex. DX: Daily inventory sheets for
March 12, 1970

1902a

COMMERCIAL PAPER 1:30 P.M.E.S.T. MARCH 12, 1970

DX

YIELDS

	30-44	45-59	60-89	90-119	120-179	180-270
8 3/8	8.433-461	8.461-491	8.493-552	8.554-613	8.615-739	8.741-936
8 1/2	8.560-589	8.591-620	8.622-682	8.684-745	8.747-875	8.877-978
8 5/8	8.687-717	8.719-749	8.751-813	8.815-878	8.880-9.011	9.014-222
8 3/4	8.814-845	8.847-877	8.879-943	8.946-9.011	9.013-148	9.150-365
8 7/8	8.941-972	8.975-9.006	9.008-074	9.076-143	9.146-285	9.287-509
9	9.068-100	9.102-135	9.137-205	9.207-276	9.278-422	9.424-651
9 1/8	9.195-228	9.230-263	9.266-336	9.338-409	9.411-559	9.561-795

EXIMBANK RATES & EQUIVALENT BOND YIELDS

NOT AVAILABLE

F.N.M.A. RATES EQUIVALENT BOND YIELDS

30-59	60-89	90-179	180-270
6.75(6.88-6.92)	6.95(7.13-7.17)	7.05(7.28-7.41)	7.10(7.46-7.51)

F.N.M.A.

6.80	Mar 31	100	1x100	
6.90	Apr 13	25	1x25	
6.90	Apr 14	50	2x25	
6.90	Apr 22	300	3x100	
6.90	Apr 24	50	2x25	
7.25	Apr 30	10,100	6x1000	7x500 6x100
7.25	Jul 27	200	2x100	
7.25	Jul 28	300	3x100	
7.25	Aug 3	500	1x500	
7.25	Aug 5	600	1x500	1x100
7.25	Aug 17	30	3x10	

MARCH MATURITIES

8 1/2	Avco Delta Corporation	Mar 30	500	1x500	
8 1/2	B-W Acceptance Corporation	Mar 31	750	1x500	1x250
8 1/2	Beech Aircraft Corporation, Inc. (Co-maker of Beech Acceptance Corporation/Beech Aircraft Corporation)	Mar 26	500	2x250	
8 1/2	Brown Shoe Company, Inc.	Mar 24	500	1x500	
8 1/2	City Products Corporation (Wholly owned by Household Finance Corporation)	Mar 23	500	1x500	
8 1/2	Dart Industries Inc.	Mar 27	500	1x500	
8 7/8	Equilease Corporation	Mar 25	300	3x100	
8 1/2	Fruehauf Corporation	Mar 24	500	1x500	
8 1/2		Mar 26	500	1x500	
8 1/2		Mar 27	500	1x500	
8 1/2	General Cable Corporation	Mar 25	250	1x250	
8 1/2	Genesco Inc.	Mar 23	500	1x500	
8 1/2	Jones & Laughlin Steel Corporation	Mar 26	600	1x600	
8 1/2	Sperry Rand Corporation	Mar 30	750	1x750	
8 1/2	Sperry Rand Financial Corporation	Mar 27	100	1x100	
8 1/2		Mar 30	500	1x500	
8 1/2	Teledyne Inc.	Mar 30	400	1x400	
8 1/2	United Merchants & Manufacturers Inc.	Mar 30	100	1x100	
8 1/2	The White Motor Credit Corporation	Mar 17	200	1x200	

TOTAL MARCH MATURITIES - 9,450

APRIL MATURITIES

8 1/2	Allegheny Ludlum Steel Corporation	Apr 20	100	1x100	
8 1/2		Apr 21	250	1x250	
8 1/2	Allied Mills Inc.	Apr 21	500	2x250	
8 5/8	The Amalgamated Sugar Company	Apr 6	150	1x150	
8 1/2	Ameican Cable & Radio Corporation	Apr 16	1,000	1x500	2x250
8 1/2		Apr 22	2,150	3x500	1x250 4x100
8 1/2	American Standard Inc.	Apr 20	1,500	3x500	
8 1/2		Apr 21	1,500	3x500	
8 5/8	Arcata National Corporation	Apr 23	300	3x100	
8 1/2	Avco Corporation	Apr 3	1,000	1x1000	
8 1/2		Apr 10	500	1x500	
8 1/2		Apr 14	1,500	2x500	2x250
8 3/4	Belding Heminway Company, Inc.	Apr 28	250	1x250	

1903 a

8 1/2	Bell & Howell Company	Apr 2	500		1x500
8 1/2		Apr 29	250		1x250
8 1/2	Bendix Corporation	Apr 6	1,000		2x500
8 1/2	Borg Warner Corporation	Apr 28	500		1x500
8 1/2	Burlington Northern Inc.	Apr 1	1,000		2x500
8 1/2		Apr 20	1,500		2x500 2x250
8 1/2	Burroughs Corporation	Apr 3	100	SOLD	1x100
8 1/2	Chrysler Corporation	Apr 16	1,000		1x1000
8 1/2	Cluett, Peabody & Co., Inc.	Apr 20	500		1x500
8 1/2	CNA Nuclear Leasing Inc.	Apr 3	600		1x500 1x100
8 1/2		Apr 8	700		1x500 2x100
	(Unconditionally Guaranteed by CNA Financial Corp)				
8 1/2	Coleman Company Inc.	Apr 9	1,000		4x250
8 5/8	Copeland Refrigeration Corporation	Apr 2	300		3x100
8 5/8	Crompton-Richmond Co., Inc. Factors (R-I)	Apr 2	100		1x100
8 5/8	Curtiss Wright Corporation	Apr 20	500		1x500
8 5/8	Dan River Mills Inc.	Apr 7	700		1x500 2x100
8 5/8		Apr 21	500		1x500
8 1/2	Dole Company	Apr 28	1,600		3x500 1x100
	(A Division of Castle & Cooke Inc.)				
8 1/2	Dresser Industries Inc.	Apr 23	500		2x250
8 1/2		Apr 27	1,250		2x500 1x250
8 5/8	Eltra Corporation	Apr 6	500		2x250
8 5/8		Apr 21	2,000		2x500 4x250
8 5/8		Apr 28	500		1x500
8 7/8	Equilease Corporation	Apr 27	200		2x100
8 1/2	Evans Products Company	Apr 21	2,000		4x500
8 5/8	Ex-Cell-O Corporation	Apr 30	1,000		2x500
8 1/2	Fruehauf Corporation	Apr 30	500		1x500
8 1/2	GAF Corporation	Apr 2	1,500		3x500
8 1/2		Apr 13	2,500		5x500
8 1/2	General Foods Corporation	Apr 8	1,000		1x1000
8 1/2		Apr 14	3,000		3x1000
8 1/2	Genesco, Inc.	Apr 21	500		1x500
8 1/2		Apr 29	500		1x500
8 1/2	Georgia Power Company (R)**	Apr 7	100		1x100
8 1/2		Apr 15	300		3x100
8 1/2		Apr 17	1,400		2x500 4x100
8 1/2	Gimbel Brothers Inc.	Apr 8	750		1x500 1x250
8 5/8	Gulf Life Holding Company	Apr 21	500		1x500
8 5/8	Handy & Harman	Apr 24	800		1x500 3x100
8 1/2	H. J. Heinz Company	Apr 7	500		1x500
8 1/2		Apr 9	500		1x500
8 1/2	Hoerner Waldorf Corporation	Apr 15	250		1x250
8 1/2	Houston Natural Gas Corp.	Apr 21	1,000		4x250
8 1/2		Apr 30	1,000		2x500
8 1/2	International Paper Company	Apr 2	500		1x500
8 1/2		Apr 8	4,200		1x700 7x500
8 1/2	S.S. Kresge Company	Apr 21	3,000		6x500
8 5/8	M. Lowenstein & Sons Inc.	Apr 29	500		1x500
8 1/2	Mack Financial Corporation	Apr 3	1,500		3x500
8 1/2	Macy Credit Corp.	Apr 3	100		1x100
8 1/2		Apr 15	500	1x250	2x100 1x50
8 1/2	The May Department Stores Company	Apr 2	100		1x100
8 1/2		Apr 21	500		1x500
8 1/2	Northern Natural Gas Company	Apr 22	250		1x250
8 5/8	Pepsi Cola Equipment Corporation (R)**	Apr 7	1,000		1x500 2x250
8 5/8		Apr 15	1,000		1x500 2x250
8 5/8		Apr 22	600		1x500 1x100
8 5/8		Apr 30	1,000		1x500 5x100
	(Guaranteed by Pepsico, Inc.)				
8 1/2	Potomac Electric Power Company	Apr 30	1,500		3x500
8 1/2	Raytheon Company	Apr 8	1,000		2x500
8 1/2		Apr 22	1,000		2x500
8 1/2	Schenley Industries Inc.	Apr 3	700		1x500 2x100
8 1/2	Joseph E. Seagram & Sons Inc.	Apr 3	600		1x500 1x100
8 1/2	Signal Companies, Inc.	Apr 3	1,000		2x500
8 1/2		Apr 21	1,600		3x500 1x100
8 1/2	Sperry Rand Corporation	Apr 14	500		1x500
8 1/2	Sperry Rand Financial Corporation	Apr 14	750		1x500 1x250
8 1/2		Apr 22	1,750		3x500 1x250
8 1/2		Apr 28	2,250		4x500 1x250
8 5/8	Standard Pressed Steel Co.	Apr 20	1,250		5x250
8 1/2	J. P. Stevens & Co., Inc.	Apr 3	500		1x500
8 1/2		Apr 15	500		1x500
8 1/2		Apr 20	1,000		2x500
8 1/2	Stokely-Van Camp Inc.	Apr 2	500		1x500

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8 1/2	Trunkline Gas Company	Apr 17	1,000	2x500
8 1/2		Apr 27	3,000	6x500
8 1/2	United Merchants & Manufacturers, Inc.	Apr 2	700	1x500 2x100
8 1/2		Apr 7	200	2x100
8 5/8	Universal Leaf Tobacco Company	Apr 6	500	1x500
8 1/2	U.S. Industries Inc.	Apr 8	1,750	1x250 Small
8 1/2		Apr 15	500	1x500
8 1/2		Apr 23	500	2x250
8 3/4	VSI Corporation	Apr 30	200	2x100
8 5/8	Vendo Company	Apr 23	200	2x100
8 1/2	Walgreen Co.	Apr 1	250	1x250
8 1/2		Apr 7	1,000	4x250
8 1/2		Apr 8	750	3x250
8 1/2		Apr 20	300	3x100
8 1/2		Apr 22	500	2x250
8 1/2	Wayne-Gossard Corporation	Apr 17	250	1x250
8 1/2	Westvaco Corporation	Apr 20	500	1x500
8 1/2	The White Motor Credit Corporation	Apr 8	1,500	3x500
8 5/8	Zale Corporation	Apr 20	600	1x500 1x100

TOTAL APRIL MATURITIES - 92,950

MAY MATURITIES

8 1/2	Alleghany Ludlum Steel Corporation	May 15	500	2x250
8 1/2		May 20	1,500	1x500 4x250
8 1/2		May 21	500	1x500
8 1/2	American Standard Inc.	May 1	2,850	1x100 Small
8 1/2		May 6	1,250	2x500 1x250
8 1/2	Bell & Howell Company	May 6	500	2x250
8 1/2	Borg-Warner Corporation	May 5	500	1x500
8 1/2		May 15	500	1x500
8 1/2		May 20	1,800	3x500 3x100
8 1/2		May 22	1,000	2x500
8 5/8	Certain-Teed Products Corporation	May 19	1,000	1x500 5x100
8 1/2	Cluett Peabody & Co., Inc.	May 1	1,000	2x500
8 1/2		May 19	500	1x500
8 1/2		May 25	500	1x500
8 1/2	The Dow Chemical Company	May 4	100	1x100
8 1/2		May 6	1,000	2x500
8 5/8	General Cable Corporation	May 26	2,000	4x500
8 1/2	Genesco Inc.	May 6	2,000	4x500
8 1/2		May 15	1,000	2x500
8 5/8	Gulf Life Holding Company	May 6	2,000	4x500
8 5/8	Hanes Corporation	May 6	500	1x500
8 5/8	IDS Leasing Corporation (Now Combined Security Investment Div. Stocks)	May 28	100	1x100
8 1/2	Jones & Laughlin Steel Corporation	May 1	1,000	2x500
8 1/2		May 7	1,000	2x500
8 1/2		May 14	1,000	2x500
8 1/2		May 19	1,000	2x500
8 1/2		May 26	1,100	2x500 1x100
8 1/2	Lear Siegler Inc.	May 14	3,000	6x500
8 5/8	Jonathan Logan Inc.	May 19	200	2x100
8 1/2	Mohasco Industries Inc.	May 20	100	1x100
8 1/2	Northern States Power Company	May 1	500	2x250
8 1/2	The Penn Central Transportation Company	May 7	3,250	6x500 1x250
8 5/8	Pioneer Natural Gas Company	May 6	250	1x250
8 1/2	Raytheon Company	May 11	500	1x500
8 1/2		May 27	500	1x500
8 1/2	G.D. Searle & Co.	May 1	1,000	2x500
8 1/2		May 4	500	2x250
8 1/2	Schenley Industries Inc.	May 20	250	1x250
8 1/2	Sperry Rand Financial Corporation	May 14	2,000	3x500 5x100
8 1/2	Texas Eastern Transmission Corporation	May 6	500	1x500
8 1/2		May 15	500	1x500
8 1/2		May 20	250	1x250
8 1/2		May 26	750	1x500 1x250
8 1/2	Trunkline Gas Company	May 27	2,000	4x500
8 1/2	United Merchants & Manufacturers Inc.	May 4	100	1x100
8 1/2		May 6	1,600	3x500 1x100
8 1/2		May 15	500	1x500
8 1/2	U.S. Industries Inc.	May 1	1,500	2x500 2x250
8 5/8		May 7	1,500	3x500
8 5/8		May 15	1,750	2x500 3x250

1905 a

8 5/8	VSI Corporation	May 25	500	5x100
8 1/2	White Motor Corporation	May 5	1,000	2x500
8 1/2	Whirlpool Corporation	May 13	1,000	2x500
8 5/8	Zale Corporation	May 5	500	1x500
8 5/8		May 20	750	1x500 1x250
8 5/8		May 27	1,000	1x500 5x100

TOTAL MAY MATURITIES - 55,450

JUNE MATURITIES

8 1/2	Burroughs Corporation	Jun 8	100	1x100
8 1/2		Jun 9	500	1x500
8 1/2	Cluett Peabody & Co., Inc.	Jun 2	250	1x250
8 5/8	Crompton Company, Inc.	Jun 3	200	2x100
8 1/2	Houston Natural Gas Corp.	Jun 30	100	1x100
8 5/8	Kayser-Roth Corporation	Jun 11	800	1x500 3x100
8 1/2	Thomas J. Lipton Inc.	Jun 30	2,000	4x500
8 5/8	M. Lowenstein & Sons Inc.	Jun 3	1,100	2x500 1x100
8 1/2	Stokely Van Camp Inc.	Jun 8	500	1x500
8 1/2	Whirlpool Corporation	Jun 8	1,000	2x500

TOTAL JUNE MATURITIES - 6,550

JULY MATURITIES

8 5/8	Outboard Marine Corporation	Jul 3	400	NY DLY 3/16 4x100
8 5/8	Whirlpool Corporation	Jul 10	4,300	7x500 2x250 3x100
8 5/8		Jul 16	500	1x500

TOTAL JULY MATURITIES - 5,200

F.N.M.A. ON HAND - 12,255

EXIM ON HAND - 0

TOTAL REPOS - 110,700

C/P ON HAND - 169,600

C/P ENGAGED 0

C/P INVENTORY - 169,600

(R) DENOTES RESTRICTION

(R)** SUBJECT TO SPECIAL RESTRICTION, NOT TO BE SHOWN ON ANY PRINTED OFFERINGS.

Ex. ET: Memorandum of February 11, 1970 by
Edward A. Jones of Manufacturers
Hanover Trust Company

PENN CENTRAL COMPANY
PENNSYLVANIA COMPANY

PHILADELPHIA, PENNSYLVANIA
WILMINGTON, DELAWARE

2/18/70

1906 a

February 11, 1970 -- Dave Bevan, Chairman of the Finance Committee, came into the bank to discuss further his request that we lend the Pennsylvania Company $10 million. The details behind this request are covered in my memo of February 5. (Mr. Bevan mentioned to Paul Hanna over the phone, while arranging for this meeting, that Mellon has agreed to lend the company $5 1/2 million, the balance available under their legal limit, and that Bill Renchard at Chemical Bank has agreed to lend $10 million. Bevan asked that we also consider lending $10 million.)

During lunch, which was attended by Messrs. McGillicuddy, Hanna, Sullivan and the writer, Mr. Bevan again outlined the financing plans of Penn Central for the year ahead. The company has immediate need for $50 million which it hopes to borrow fully from banks. These loans would then be paid out in full from the proceeds of the $100 million debenture issue, with warrants attached, of Pennsylvania Company. Bevan has been told by the underwriters that this contemplated issue would be attractive to investors and that they expect to have it sold within six to eight weeks. Mr. Bevan indicated that he considers our bank one of their prime banks and that he has always tried to give us more than fair treatment with balances. This fact was acknowledged by Messrs. Hanna and Sullivan. Bevan added that not all of Penn Central's banks enjoyed this kind of experience. Mr. Bevan spent some time discussing his company's relationship with First National City Bank, adding that First National City had declined to participate in this $50 million short-term credit. He expressed his disappointment with their reaction. After Mr. Bevan's presentation, Mr. McGillicuddy agreed to accede to Mr. Bevan's request and lend Pennsylvania Company $10 million on a short-term note, unsecured, at the prime rate. The takedown would be in one to three installments from the middle of February to the middle or end of March. The maturity will coincide with the sale of the $100 million of debentures or four months from the date of the first takedown, depending upon which comes first. Bevan said he would do the best he could in improving balances in support of this new $10 million loan but felt that the company would be in a better position to compensate us after the sale of the debentures. If, due to some unforeseen circumstances, the company is unable to sell the debentures after four months, Bevan said then the loan could be re-negotiated and collateralized if that is our wish at the time. (Prior to Mr. Bevan's arrival at the bank, we had decided to request that the loan be collateralized if not paid out by a certain date.) Mr. Bevan was very appreciative of our willingness to assist him and was very complimentary of the past services that we have offered Penn Central. After lunch, Mr. Bevan met briefly with Mr. McGill.

Edward A. Jones:mc

Ex. FA: Memorandum of November 21, 1969
from H. Weinberg to Doty

1907 a

CONFIDENTIAL

MEMORANDUM November 21, 1969

TO: Mr. George Doty

FROM: Hy Weinberg

SUBJECT: Analysis of November 20 Commercial Paper Inventory.

As you requested, we have analyzed the Commercial Paper Inventory at the close of business on November 20, 1969. Our analysis was aimed at determining the average length of time that commercial paper notes remained in inventory after being purchased from issuers and before being sold to investors.

The analysis indicates that the average note in last night's inventory has been held by us for 12.49 days. The average holding period of 12.49 days is a weighted average, taking into account the length of time the notes have been held and their dollar amount.

The total Control Desk Inventory (that is, the inventory available for sale) at the close of business on November 20 was $222,190,000. Attached is a detailed breakdown of this inventory, with our notation in the right-hand column indicating the number of days that the note has been held by us. While we have only analyzed a single day, my review of other records and information leads me to believe that the average holding period of the notes in the November 20 Inventory is fairly typical and representative, and that if we were to choose more days to analyze, we would most likely come up with approximately the same answer.

Hy

as of 11/20/69

cc: Mr. Robert G. Wilson
Commercial Paper Department

average was 12.3 days

Attachments to FA

1908 a

COMMERCIAL PAPER 1:30 P.M.E.S.T. — NOVEMBER 20, 1969

YIELDS

	30-44	45-59	60-89	90-119	120-179	180-270
8	8.054-079	8.081-106	8.108-161	8.163-217	8.218-331	8.333-511
8 1/8	8.180-206	8.208-234	8.236-291	8.293-349	8.351-467	8.469-662
8 1/4	8.307-334	8.335-363	8.365-421	8.423-481	8.483-602	8.604-794
8 3/8	8.433-461	8.463-491	8.493-552	8.554-613	8.615-739	8.741-936
8 1/2	8.561-589	8.591-620	8.622-682	8.685-746	8.748-875	8.877-9.078
8 5/8	8.687-717	8.719-749	8.751-813	8.815-873	8.880-9.011	9.014-9.222
8 3/4	8.814-845	8.847-877	8.879-943	8.946-9.011	9.013-148	9.150-365
8 7/8	8.941-972	8.975-9.006	9.008-074	9.076-143	9.146-285	9.287-509

EXIMBANK RATES & EQUIVALENT BOND YIELDS

NOT AVAILABLE

F.N.M.A. RATES EQUIVALENT BOND YIELDS

30-59**	60-89	90-179	180-270
7(7.14-7.18)	7.25(7.44-7.48)	7.50(7.75-7.90)	7.65(8.06-8.12)

**No december Maturity Available

F.N.M.A.

7	Nov 24	50	2x25
7	Dec 17	2,700	2x1000 1x500 2x100
7	Dec 29	100	1x100
7.15	Jan 2	150	6x25
7.15	Jan 5	300	3x100
7.20	Jan 12	100	1x100
7.20	Jan 20	100	1x100
7.60	Feb 27	700	5x100 6x25
7.65	Apr 14	200	2x100
7.70	May 15	100	1x100
7.75	Jun 15	5,720	5x1000 2x10 6x100 4x25

	NOVEMBER MATURITIES			NUMBER OF DAYS IN INVENTORY
8 3/4	Foremost McKesson, Inc.	Nov 28	200	2
8 3/4	Georgia-Pacific Corporation	Nov 26	500	2
8 3/4	Georgia Power Company (R)	Nov 25	100	38
8 3/4	Munsingwear Inc. (R)	Nov 25	100	28
8 3/4	Trunkline Gas Co.	Nov 26	400	2

TOTAL NOVEMBER MATURITIES - 1,500

DECEMBER MATURITIES

8 3/4	American Cable & Radio Corporation	Dec 23	1,000	30
8 3/4	American Standard Inc.	Dec 23	250	3
8 3/4		Dec 29	4,000	4
8 7/8	Amfac Financial Corporation (Guaranteed by Amfac Inc.)	Dec 23	100	46
8 3/4	Arcata National Corp.	Dec 2	300	4
8 3/4	The Bendix Corporation	Dec 31	500	7
8 7/8	Butler Manufacturing Co	Dec 22	700	1
8 3/4	Eltra Corporation	Dec 23	500	44
8 3/4	Evans Products Co.	Dec 5	100	15
8 3/4	Finserv Corporation	Dec 18	800	1
8 3/4	(Guaranteed by Studebaker-Worthington)	DEC 30	2000	11
8 3/4	General Tire & Rubber Company	Dec 30	2,000	4
8 3/4	International Salt Co	Dec 23	500	11
8 7/8	Lone Star Gas Company	Dec 1	100	2
8 3/4	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico Inc.)	Dec 29	700	1
8 7/8	Standard Knitting Mills Inc	Dec 2	100	58
8 3/4	Universal Leaf Tobacco Company, Inc.	Dec 19	1,000	25
8 3/4	U.S. Industries Inc.	Dec 23	500	37
8 7/8	The Vendo Company	Dec 4	300	22
8 3/4	Walgreen Co.	Dec 22	100	2
8 3/4		Dec 26	1,000	1
8 3/4	West Point-Pepperell Inc.	Dec 23	500	15
8 3/4		Dec 31	1,000	8
8 7/8	Zayre Corporation	Dec 24	3,000	14

TOTAL DECEMBER MATURITIES - 21,050

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JANUARY MATURITIES

8 7/8	Allied Mills, Inc.	Jan 23	800	8
8 3/4	Allied Stores Credit Corporation	Jan 8	15/2500-20/300	15/20
9	Amalgamated Sugar Co.	Jan 28	500	4
8 3/4	American Cable & Radio Corporation	Jan 8	1,700	16
8 3/4	Amfac Financial Corporation (Guaranteed by Amfac Inc.)	Jan 8	100	25
8 7/8		Jan 22	1,000	15
8 3/4	Arcata National Corporation	Jan 5	2,000	8
8 3/4		Jan 7	700	24
8 7/8	Armstrong Rubber Company	Jan 15	500	18
8 7/8	Armco Steel Corporation	Jan 13	500	14
8 3/4	Avco Corporation	Jan 5	500	22
8 3/4		Jan 7	600	19
8 7/8		Jan 21	1,500	11
8 7/8		Jan 26	700	3
9	Beech Acceptance Corporation Inc./ Beech Aircraft Corporation	Jan 22	100	8
9		Jan 30	700	15
9	Belding-Heminway Co., Inc.	Jan 12	500	23
9 1/8		Jan 29	500	8
8 3/4	Bell & Howell Co.	Jan 5	250	9
8 3/4		Jan 7	250	16
8 7/8		Jan 13	350	4
8 7/8		Jan 16	250	14
8 7/8	Bemis Company, Inc.	Jan 14	750	2
8 3/4	Borg-Warner Corporation	Jan 7	2,000	1
8 7/8		Jan 14	500	7
8 7/8		Jan 20	500	11
8 7/8		Jan 23	2,000	2
9	John Breuner Company	Jan 12	450	1
9		Jan 28	250	15
8 3/4	Burroughs Corporation	Jan 2	150	4
8 3/4		Jan 7	125	9
9	Butler Finance Co.	Jan 8	300	11
9 1/8	Carco Acceptance Corporation (Wholly owned subsidiary of Pacific Car & Foundry Co.)	Jan 29	400	15
8 7/8	Central Soya Company, Inc.	Jan 16	1,000	3
9	Cessna Finance Corporation	Jan 15	100	29
9 1/8	Chadbourn Inc.	Jan 28	1,500	15
8 7/8	Chesapeake & Potomac Telephone Company of Virginia	Jan 13	100	7
8 7/8	Cluett, Peabody & Co., Inc.	Jan 21	1,000	23
9	Commonwealth Telephone Company	Jan 20	700	3
9	Crompton Richmond Co., Inc. Factors (R-I)	Jan 14	500	22
8 3/4	Dan River Mills, Inc.	Jan 7	500	9
8 7/8		Jan 27	800	14
8 7/8	Del Monte Corporation	Jan 19	1,600	15
8 7/8		Jan 22	500	2
8 7/8	Di Giorgio Corporation	Jan 7	500	32
8 3/4	Dole Company (A Division of Castle & Cooke, Inc.)	Jan 8	3,000	4
8 7/8	Dresser Industries, Inc.	Jan 21	2,000	9
9	EAC Credit Corporation	Jan 22	250	7
9		Jan 28	500	7
9 1/8	Equilease Corporation	Jan 15	100	22
8 3/4	Fruehauf Corporation	Jan 5	1,500	11
8 3/4		Jan 9	1,200	7
8 7/8		Jan 12	1,100	15
8 7/8		Jan 14	300	7
8 7/8		Jan 19	1,000	7
8 7/8		Jan 20	2,000	4
8 7/8		Jan 21	1,500	3
8 3/4	GAF Corporation	Jan 6	2,000	11
8 7/8		Jan 12	2,600	11
8 7/8	General Cable Corporation	Jan 21	500	22
8 3/4	Genesco, Inc.	Jan 6	500	44
8 3/4		Jan 7	250	38
8 7/8		Jan 19	2,000	21
8 7/8		Jan 22	1,000	21
8 3/4	Georgia Power Co. (R)	Jan 5	700	14
8 3/4		Jan 9	1,350	23
8 7/8		Jan 16	200	18
8 3/4	The B. F. Goodrich Company	Jan 8	5,000	3
8 3/4		Jan 12	2,750	1

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8 7/8	Goodyear Tire & RubberCo.	Jan 22	1,000	9
8 7/8		Jan 27	18/1000-22/1000	18/22
8 7/8		Jan 28	1,000	18
9	Handy & Harman	Jan 15	200	16
9 1/8	Haverty Furniture Companies Inc.	Jan 28	650	16
8 7/8	Houston Natural Gas Corp.	Jan 13	500	16
8 7/8		Jan 27	1,000	2
9	IDS Leasing Corporation	Jan 7	100	9
	(Wholly owned subsidiary of Investors Diversified Services Inc.)			
9 1/8		Jan 13	400	3
9 1/8		Jan 20	300	4
9 1/8		Jan 23	500	7
8 7/8	International Salt Company	Jan 15	100	35
8 7/8	Jones & Laughlin Steel Corporation	Jan 28	1,700	8
9	Jonathan Logan Inc.	Jan 12	200	16
8 3/4	Lone Star Gas Company	Jan 2	1,000	8
8 3/4		Jan 7	500	4
9	M. Lowenstein & Sons, Inc.	Jan 19	2,000	3
9		Jan 26	400	22
8 7/8	Macy Credit Corporation	Jan 9	11/100-3/100	11/3
9	Mattel, Inc.	Jan 12	2,000	4
9		Jan 15	400	18
8 3/4	May Department Stores Inc.	Jan 7	250	18
8 7/8		Jan 13	1,250	18
8 7/8		Jan 16	750	14
8 7/8		Jan 20	250	18
8 7/8		Jan 23	500	11
8 7/8		Jan 27	750	15
8 7/8		Jan 29	500	21
8 7/8		Jan 30	500	8
8 3/4	Michigan Bell Telephone Company	Jan 8	1,500	1
8 7/8	The National Cash Register Company	Jan 12	500	4
8 3/4	Niagara Mohawk Power Corporation	Jan 8	800	1
8 7/8	Northern Natural Gas Company	Jan 22	1,250	15
8 7/8	Northern States Power Company	Jan 23	250	14
8 3/4	Penn Central Transportation Company	Jan 2	1,000	44
8 7/8		Jan 13	500	4
8 7/8		Jan 16	1,500	18
8 7/8		Jan 29	600	4
8 7/8	Pepsi Cola Equipment Corporation (R)**	Jan 19	7/200-38/200	7/38
	(Guaranteed by Pepsico, Inc.)			
8 7/8		Jan 23	500	7
8 7/8		Jan 29	1,000	21
8 7/8	Potomac Electric Power Company	Jan 26	1,100	
8 7/8	Public Service Company of New Hampshire	Jan 9	500	1
9		Jan 28	1,000	7
8 7/8	Ralston Purina Company	Jan 29	500	
8 3/4	Schenley Industries Inc.	Jan 6	600	11
8 7/8		Jan 12	100	8
8 7/8		Jan 23	500	22
8 7/8	Joseph E. Seagram & Sons, Inc.	Jan 30	250	18
8 3/4	The Signal Cos., Inc.	Jan 7	1,000	23
8 7/8		Jan 13	1,000	22
8 7/8		Jan 29	1,500	15
8 3/4	Sperry Rand Financial Corporation	Jan 5	500	24
8 3/4		Jan 7	200	11
8 7/8		Jan 14	2,100	9
8 7/8		Jan 27	2,200	15
8 7/8		Jan 29	1,000	7
8 7/8	Sperry Rand Corporation	Jan 20	250	2
8 7/8	J.P. Stevens & Co., Inc.	Jan 12	1,000	4
8 7/8	Stokely Van Camp, Inc.	Jan 29	4,500	18
8 7/8	Sunbeam Corporation	Jan 14	1,750	14
8 3/4	Texas Eastern Transmission Corporation	Jan 8	18/250-23/250	18/23
8 7/8		Jan 21	1,500	15
8 7/8		Jan 22	1,950	8
8 7/8		Jan 28	8/250-15/250	8/15
8 7/8	Trunkline Gas Co.	Jan 27	2,900	11
8 3/4	United Merchants & Manufacturers, Inc.	Jan 6	1,000	30
8 3/4		Jan 8	500	36
8 7/8		Jan 12	2,000	23
8 7/8		Jan 22	1,000	38
8 7/8		Jan 28	500	43

8 7/8	Universal Leaf Tobacco Company, Inc.	Jan 7	500	36
9		Jan 29	800	9
8 7/8	U.S. Industries Inc.	Jan 20	1,000	25
9	Vendo Company	Jan 22	200	8
8 7/8	Vulcan Materials Co.	Jan 8	600	21
9	Wayne Gossard Corp.	Jan 30	350	7
8 7/8	West Point-Pepperell Inc.	Jan 29	5,000	1
8 7/8	Western Publishing Co., Inc.	Jan 9	350	14
9		Jan 23	1,050	7
9	Zale Corporation	Jan 13	500	24
9		Jan 22	1,000	4
9		Jan 26	1,100	16

TOTAL JANUARY MATURITIES - 143,375

FEBRUARY MATURITIES

8 7/8	Allegheny Ludlum Steel Corp.	Feb 10	750	9
8 7/8		Feb 11	1,000	8
9	Amalgamated Sugar Co.	Feb 10	1,000	4
9	Amfac Financial Corporation (Guaranteed by Amfac, Inc.)	Feb 6	400	8
8 7/8	Anderson, Clayton & Co., Inc.	Feb 4	500	21
8 7/8	Arcata National Corporation	Feb 3	1,800	8
9	The Bankers Investment Company	Feb 3	200	1
8 7/8	Burroughs Corporation	Feb 18	1,900	1
9 1/8	Chadbourn Inc.	Feb 10	600	9
8 7/8	Cluett, Peabody & Co., Inc.	Feb 2	250	16
8 7/8		Feb 10	22/500-11/500	22/11
8 7/8		Feb 13	500	7
8 7/8		Feb 17	1,000	2
9	Crompton-Richmond Co., Inc. Factors (R-I)	Feb 4	500	9
9	Dan River Mills, Inc.	Feb 5	1,250	16
9		Feb 11	700	2
8 7/8	Ex-Cell-O Corp.	Feb 3	500	16
8 7/8	General Cable Corporation	Feb 3	500	16
9	Hoerner Waldorf Corporation	Feb 5	500	8
8 7/8	Jones & Laughlin Steel Corporation	Feb 9	1,500	15
9	Kayser Roth Corporation	Feb 5	500	15
9		Feb 11	500	8
9		Feb 19	1,000	1
9	Jonathan Logan, Inc.	Feb 3	500	9
9		Feb 10	250	4
9	M. Lowenstein & Sons, Inc.	Feb 4	600	8
9		Feb 10	1,500	9
9	NLT Corporation	Feb 4	500	15
8 7/8	National Service Industries Inc.	Feb 5	2,700	14
8 7/8	Penn Central Transportation Company	Feb 3	1,000	16
8 7/8		Feb 10	1,000	16
8 7/8	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico, Inc.)	Feb 5	1,000	28
8 7/8	Potomac Electric Power Company	Feb 16	1,000	3
8 7/8	Schenley Industries Inc.	Feb 6	2,250	4
8 7/8		Feb 10	1,500	3
8 7/8	Joseph E. Seagram & Sons Inc.	Feb 6	500	11
8 7/8		Feb 11	4,000	7
8 7/8	Sperry Rand Financial Corporation	Feb 13	115	3
8 7/8	Texas Eastern Transmission Corporation	Feb 4	750	4
8 7/8		Feb 6	1,250	3
8 7/8	United Merchants & Manufacturers Inc.	Feb 2	1,500	8
8 7/8		Feb 4	500	11
8 7/8		Feb 10	1,800	2
8 7/8	U.S. Industries Inc.	Feb 5	3,500	4
9	The Vendo Company	Feb 11	500	1
9	Woodward & Lothrop, Inc.	Feb 10	1,700	9
9	Zale Corporation	Feb 3	1,000	8
9		Feb 10	900	1

TOTAL FEBRUARY MATURITIES - 52,165

MARCH MATURITIES

8 7/8	Chrysler Corporation	Mar 16	2,700	2
9	Hanes Corporation	Mar 12	500	9
9		Mar 19	800	2

TOTAL MARCH MATURITIES - 4,000

1912a

APRIL MATURITIES

9	Hanes Corporation		Apr 23	100	1x100
	TOTAL APRIL MATURITIES -	100			

F.N.M.A. ON HAND - 10220

EXIM ON HAND -

TOTAL REPOS - 134,500

C/P ON HAND - 222,190

C/P ENGAGED - 0

C/P INVENTORY - 222, 190

(R) DENOTES RESTRICTION LIST

(R)** SUBJECT TO SPECIAL RESTRICTION NOT TO BE SHOWN ON ANY PRINTED OFFERINGS.

1913a

Mr. Hyman Weintraub Attachment to FA

COMMERCIAL PAPER 1:30 P.M.E.S.T. NOVEMBER 20, 1969

YIELDS

	30-44	45-59	60-89	90-119	120-179	180-270
8	8.054-079	8.081-106	8.108-161	8.163-217	8.218-331	8.333-511
8 1/8	8.180-206	8.208-234	8.236-291	8.293-349	8.351-467	8.469-662
8 1/4	8.307-334	8.335-363	8.365-421	8.423-481	8.483-602	8.604-794
8 3/8	8.433-461	8.463-491	8.493-552	8.554-613	8.615-739	8.741-936
8 1/2	8.561-589	8.591-620	8.622-682	8.685-746	8.748-875	8.877-9.078
8 5/8	8.687-717	8.719-749	8.751-813	8.815-873	8.880-9.011	9.014-9.222
8 3/4	8.814-845	8.847-877	8.879-943	8.946-9.011	9.013-148	9.150-365
8 7/8	8.941-972	8.975-9.006	9.008-074	9.076-143	9.146-285	9.287-509

EXIMBANK RATES & EQUIVALENT BOND YIELDS

NOT AVAILABLE

F.N.M.A. RATES EQUIVALENT BOND YIELDS

30-59**	60-89	90-179	180-270
7(7.14-7.18)	7.25(7.44-7.48)	7.50(7.75-7.90)	7.65(8.06-8.12)

**No december Maturity Available

F.N.M.A.

7	Nov 24	50	2x25
7	Dec 17	2,700	2x1000 1x500 2x100
7	Dec 29	100	1x100
7.15	Jan 2	150	6x25
7.15	Jan 5	300	3x100
7.20	Jan 12	100	1x100
7.20	Jan 20	100	1x100
7.60	Feb 27	700	5x100 8x25
7.65	Apr 14	200	2x100
7.70	May 15	100	1x100
7.75	Jun 15	5,720	5x1000 2x10 6x100 4x25

NOVEMBER MATURITIES

				NUMBER OF DAYS IN INVENTORY
8 3/4	Foremost McKesson, Inc.	Nov 28	200	2
8 3/4	Georgia-Pacific Corporation	Nov 26	500	2
8 3/4	Georgia Power Company (R)	Nov 25	100	38
8 3/4	Munsingwear Inc. (R)	Nov 25	100	28
8 3/4	Trunkline Gas Co.	Nov 26	400	2

TOTAL NOVEMBER MATURITIES - 1,500

DECEMBER MATURITIES

8 3/4	American Cable & Radio Corporation	Dec 23	1,000	30
8 3/4	American Standard Inc.	Dec 23	250	3
8 3/4		Dec 29	4,000	4
8 7/8	Amfac Financial Corporation (Guaranteed by Amfac Inc.)	Dec 23	100	46
8 3/4	Arcata National Corp.	Dec 2	300	4
8 3/4	The Bendix Corporation	Dec 31	500	7
8 7/8	Butler Manufacturing Co	Dec 22	700	1
8 3/4	Eltra Corporation	Dec 23	500	44
8 3/4	Evans Products Co.	Dec 5	100	15
8 3/4	Finserv Corporation	Dec 18	800	1
8 3/4	(Guaranteed by Studebaker-Worthington)	Dec 30	2000	11
8 3/4	General Tire & Rubber Company	Dec 30	2,000	4
8 3/4	International Salt Co	Dec 23	500	11
8 7/8	Lone Star Gas Company	Dec 1	100	2
8 3/4	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico Inc.)	Dec 29	700	1
8 7/8	Standard Knitting Mills Inc	Dec 2	100	58
8 3/4	Universal Leaf Tobacco Company, Inc.	Dec 19	1,000	25
8 3/4	U.S. Industries Inc.	Dec 23	500	37
8 7/8	The Vendo Company	Dec 4	300	22
8 3/4	Walgreen Co.	Dec 22	100	2
8 3/4		Dec 26	1,000	1
8 3/4	West Point-Pepperell Inc.	Dec 23	500	15
8 3/4		Dec 31	1,000	8
8 7/8	Zayre Corporation	Dec 24	3,000	14

TOTAL DECEMBER MATURITIES - 21,050

JANUARY MATURITIES

8 7/8	Allied Mills, Inc.	Jan 23	800	
8 3/4	Allied Stores Credit Corporation	Jan 8	15/2500-20/300	15/20
9	Amalgamated Sugar Co.	Jan 28	500	4
8 3/4	American Cable & Radio Corporation	Jan 8	1,700	16
8 3/4	Amfac Financial Corporation (Guaranteed by Amfac Inc.)	Jan 8	100	25
8 7/8		Jan 22	1,000	15
8 3/4	Arcata National Corporation	Jan 5	2,000	8
8 3/4		Jan 7	700	24
8 7/8	Armstrong Rubber Company	Jan 15	500	18
8 7/8	Armco Steel Corporation	Jan 13	500	14
8 3/4	Avco Corporation	Jan 5	500	22
8 3/4		Jan 7	600	19
8 7/8		Jan 21	1,500	11
8 7/8		Jan 26	700	3
9	Beech Acceptance Corporation Inc./ Beech Aircraft Corporation	Jan 22	100	8
9		Jan 30	700	15
9	Belding-Heminway Co., Inc.	Jan 12	500	23
9 1/8		Jan 29	500	8
8 3/4	Bell & Howell Co.	Jan 5	250	9
8 3/4		Jan 7	250	16
8 7/8		Jan 13	350	4
8 7/8		Jan 16	250	14
8 7/8	Bemis Company, Inc.	Jan 14	750	2
8 3/4	Borg-Warner Corporation	Jan 7	2,000	1
8 7/8		Jan 14	500	7
8 7/8		Jan 20	500	11
8 7/8		Jan 23	2,000	2
9	John Brouner Company	Jan 12	450	1
9		Jan 28	250	15
8 3/4	Burroughs Corporation	Jan 2	150	4
8 3/4		Jan 7	125	9
9	Butler Finance Co.	Jan 8	300	11
9 1/8	Carco Acceptance Corporation (Wholly owned subsidiary of Pacific Car & Foundry Co.)	Jan 29	400	15
8 7/8	Central Soya Company, Inc.	Jan 16	1,000	3
9	Cessna Finance Corporation	Jan 15	100	29
9 1/8	Chadbourn Inc.	Jan 28	1,500	15
8 7/8	Chesapeake & Potomac Telephone Company of Virginia	Jan 13	100	7
8 7/8	Cluett, Peabody & Co., Inc.	Jan 21	1,000	23
9	Commonwealth Telephone Company	Jan 20	700	3
9	Crompton Richmond Co., Inc. Factors (R-1)	Jan 14	500	22
8 3/4	Dan River Mills, Inc.	Jan 7	500	9
8 7/8		Jan 27	800	14
8 7/8	Del Monte Corporation	Jan 19	1,600	15
8 7/8		Jan 22	500	2
8 7/8	Di Giorgio Corporation	Jan 7	500	32
8 3/4	Dole Company (A Division of Castle & Cooke, Inc.)	Jan 8	3,000	4
8 7/8	Dresser Industries, Inc.	Jan 21	2,000	9
9	EAC Credit Corporation	Jan 22	250	7
9		Jan 28	500	7
9 1/8	Equilease Corporation	Jan 15	100	22
8 3/4	Fruehauf Corporation	Jan 5	1,500	11
8 3/4		Jan 9	1,200	7
8 7/8		Jan 12	1,100	15
8 7/8		Jan 14	300	7
8 7/8		Jan 19	1,000	7
8 7/8		Jan 20	2,000	4
8 7/8		Jan 21	1,500	3
8 3/4	GAF Corporation	Jan 6	2,000	11
8 7/8		Jan 12	2,600	11
8 7/8	General Cable Corporation	Jan 21	500	22
8 3/4	Genesco, Inc.	Jan 6	500	44
8 3/4		Jan 7	250	38
8 7/8		Jan 19	2,000	21
8 7/8		Jan 22	1,000	21
8 3/4	Georgia Power Co. (R)	Jan 5	700	14
8 3/4		Jan 9	1,350	23
8 7/8		Jan 16	200	18
8 3/4	The B. F. Goodrich Company	Jan 8	5,000	3
8 3/4		Jan 12	2,750	1

8 7/8	Goodyear Tire & RubberCo.	Jan 22	1,000	9
8 7/8		Jan 27	18/1000-22/1000	18/22
8 7/8		Jan 28	1,000	18
9	Handy & Harman	Jan 15	200	16
9 1/8	Haverty Furniture Companies Inc.	Jan 28	650	16
8 7/8	Houston Natural Gas Corp.	Jan 13	500	16
8 7/8		Jan 27	1,000	2
9	IDS Leasing Corporation (Wholly owned subsidiary of Investors Diversified Services Inc.)	Jan 7	100	9
9 1/8		Jan 13	400	3
9 1/8		Jan 20	300	4
9 1/8		Jan 23	500	7
8 7/8	International Salt Company	Jan 15	100	35
8 7/8	Jones & Laughlin Steel Corporation	Jan 28	1,700	8
9	Jonathan Logan Inc.	Jan 12	200	16
8 3/4	Lone Star Gas Company	Jan 2	1,000	8
8 3/4		Jan 7	500	4
9	M. Lowenstein & Sons, Inc.	Jan 19	2,000	3
9		Jan 26	400	22
8 7/8	Macy Credit Corporation	Jan 9	11/100-3/100	11/3
9	Mattel, Inc.	Jan 12	2,000	4
9		Jan 15	400	18
8 3/4	May Department Stores Inc.	Jan 7	250	18
8 7/8		Jan 13	1,250	18
8 7/8		Jan 16	750	14
8 7/8		Jan 20	250	18
8 7/8		Jan 23	500	11
8 7/8		Jan 27	750	15
8 7/8		Jan 29	500	21
8 7/8		Jan 30	500	8
8 3/4	Michigan Bell Telephone Company	Jan 8	1,500	1
8 7/8	The National Cash Register Company	Jan 12	500	4
8 3/4	Niagara Mohawk Power Corporation	Jan 8	800	1
8 7/8	Northern Natural Gas Company	Jan 22	1,250	15
8 7/8	Northern States Power Company	Jan 23	250	14
8 3/4	Penn Central Transportation Company	Jan 2	1,000	44
8 7/8		Jan 13	500	4
8 7/8		Jan 16	1,500	18
8 7/8		Jan 29	600	4
8 7/8	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico, Inc.)	Jan 19	7/200-38/200	7/38
8 7/8		Jan 23	500	7
8 7/8		Jan 29	1,000	21
8 7/8	Potomac Electric Power Company	Jan 26	1,100	
8 7/8	Public Service Company of New Hampshire	Jan 9	500	1
9		Jan 28	1,000	7
8 7/8	Ralston Purina Company	Jan 29	500	
8 3/4	Schenley Industries Inc.	Jan 6	600	11
8 7/8		Jan 12	100	8
8 7/8		Jan 23	500	22
8 7/8	Joseph E. Seagram & Sons, Inc.	Jan 30	250	18
8 3/4	The Signal Cos., Inc.	Jan 7	1,000	23
8 7/8		Jan 13	1,000	22
8 7/8		Jan 29	1,500	15
8 3/4	Sperry Rand Financial Corporation	Jan 5	500	24
8 3/4		Jan 7	200	11
8 7/8		Jan 14	2,100	9
8 7/8		Jan 27	2,200	15
8 7/8		Jan 29	1,000	7
8 7/8	Sperry Rand Corporation	Jan 20	250	2
8 7/8	J.P. Stevens & Co., Inc.	Jan 12	1,000	4
8 7/8	Stokely Van Camp, Inc.	Jan 29	4,500	18
8 7/8	Sunbeam Corporation	Jan 14	1,750	14
8 3/4	Texas Eastern Transmission Corporation	Jan 8	18/250-23/250	18/23
8 7/8		Jan 21	1,500	15
8 7/8		Jan 22	1,950	8
8 7/8		Jan 28	8/250-15/250	8/15
8 7/8	Trunkline Gas Co.	Jan 27	2,900	11
8 3/4	United Merchants & Manufacturers, Inc.	Jan 6	1,000	30
8 3/4		Jan 8	500	36
8 7/8		Jan 12	2,000	23
8 7/8		Jan 22	1,000	38
8 7/8		Jan 28	500	43

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8	7/8	Universal Leaf Tobacco Company, Inc.	Jan 7	500	36
9			Jan 29	800	9
8	7/8	U.S. Industries Inc.	Jan 20	1,000	25
9		Vendo Company	Jan 22	200	8
8	7/8	Vulcan Materials Co.	Jan 8	600	21
9		Wayne Gossard Corp.	Jan 30	350	7
8	7/8	West Point-Pepperell Inc,	Jan 29	5,000	1
8	7/8	Western Publishing Co., Inc.	Jan 9	350	14
9			Jan 23	1,050	7
9		Zale Corporation	Jan 13	500	24
9			Jan 22	1,000	4
9			Jan 26	1,100	16

TOTAL JANUARY MATURITIES - 143,375

FEBRUARY MATURITIES

8	7/8	Allegheny Ludlum Steel Corp.	Feb 10	750	9
8	7/8		Feb 11	1,000	8
9		Amalgamated Sugar Co.	Feb 10	1,000	4
9		Amfac Financial Corporation (Guaranteed by Amfac, Inc.)	Feb 6	400	8
8	7/8	Anderson, Clayton & Co., Inc.	Feb 4	500	21
8	7/8	Arcata National Corporation	Feb 3	1,800	8
9		The Bankers Investment Company	Feb 3	200	1
8	7/8	Burroughs Corporation	Feb 18	1,900	1
9	1/8	Chadbourn Inc.	Feb 10	600	9
8	7/8	Cluett, Peabody & Co., Inc.	Feb 2	250	16
8	7/8		Feb 10	22/500-11/500	22/11
8	7/8		Feb 13	500	7
8	7/8		Feb 17	1,000	2
9		Crompton-Richmond Co., Inc. Factors (R-I)	Feb 4	500	9
9		Dan River Mills, Inc.	Feb 5	1,250	16
9			Feb 11	700	2
8	7/8	Ex-Cell-O Corp.	Feb 3	500	16
8	7/8	General Cable Corporation	Feb 3	500	16
9		Hoerner Waldorf Corporation	Feb 5	500	8
8	7/8	Jones & Laughlin Steel Corporation	Feb 9	1,500	15
9		Kayser Roth Corporation	Feb 5	500	15
9			Feb 11	500	8
9			Feb 19	1,000	1
9		Jonathan Logan, Inc.	Feb 3	500	9
9			Feb 10	250	4
9		M. Lowenstein & Sons, Inc.	Feb 4	600	8
9			Feb 10	1,500	9
9		NLT Corporation	Feb 4	500	15
8	7/8	National Service Industries Inc.	Feb 5	2,700	14
8	7/8	Penn Central Transportation Company	Feb 3	3,000	16
8	7/8		Feb 10	1,000	16
8	7/8	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico, Inc.)	Feb 5	1,000	28
8	7/8	Potomac Electric Power Company	Feb 16	1,000	3
8	7/8	Schenley Industries Inc.	Feb 6	2,250	4
8	7/8		Feb 10	1,500	3
8	7/8	Joseph E. Seagram & Sons Inc.	Feb 6	500	11
8	7/8		Feb 11	4,000	7
8	7/8	Sperry Rand Financial Corporation	Feb 13	115	3
8	7/8	Texas Eastern Transmission Corporation	Feb 4	750	4
8	7/8		Feb 6	1,250	3
8	7/8	United Merchants & Manufacturers Inc.	Feb 2	1,500	8
8	7/8		Feb 4	500	11
8	7/8		Feb 10	1,800	2
8	7/8	U.S. Industries Inc.	Feb 5	3,500	4
9		The Vendo Company	Feb 11	500	1
9		Woodward & Lothrop, Inc.	Feb 10	1,700	9
9		Zale Corporation	Feb 3	1,000	8
9			Feb 10	900	1

TOTAL FEBRUARY MATURITIES - 52,165

MARCH MATURITIES

8	7/8	Chrysler Corporation	Mar 16	2,700	2
9		Hanes Corporation	Mar 12	500	9
9			Mar 19	800	2

TOTAL MARCH MATURITIES - 4,000

1917 a

APRIL MATURITIES

9	Hanes Corporation		Apr 23	100	1x100
	TOTAL APRIL MATURITIES -	100			

F.N.M.A. ON HAND - 10220

EXIM ON HAND -

TOTAL REPOS - 134,500

C/P ON HAND - 222,190

C/P ENGAGED - 0

C/P INVENTORY - 222, 190

(R) DENOTES RESTRICTION LIST

(R)** SUBJECT TO SPECIAL RESTRICTION NOT TO BE SHOWN ON ANY PRINTED OFFERINGS.

YIELDS

	30-44	45-59	60-89	90-119	120-179	180-270
8	8.054-079	8.081-106	8.108-161	8.163-217	8.218-331	8.333-511
8 1/8	8.180-206	8.208-234	8.236-291	8.293-349	8.351-467	8.469-662
8 1/4	8.307-334	8.335-363	8.365-421	8.423-481	8.483-602	8.604-794
8 3/8	8.433-461	8.463-491	8.493-552	8.554-613	8.615-739	8.741-936
8 1/2	8.561-589	8.591-620	8.622-682	8.685-746	8.748-875	8.877-9.078
8 5/8	8.687-717	8.719-749	8.751-813	8.815-873	8.880-9.011	9.014-9.222
8 3/4	8.814-845	8.847-877	8.879-943	8.946-9.011	9.013-148	9.150-365
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EXIMBANK RATES & EQUIVALENT BOND YIELDS

NOT AVAILABLE

F.N.M.A. RATES EQUIVALENT BOND YIELDS

30-59**	60-89	90-179	180-270
7(7.14-7.18)	7.25(7.44-7.48)	7.50(7.75-7.90)	7.65(8.06-8.12)

**No december Maturity Available

		Days	D/D	F.N.M.A.					
7	11/17	4		Nov 24	50			2x25	
7	11/18	3		Dec 17	2,700		2x1000	1x500	2x100
7	11/17	4		Dec 29	100			1x100	
7.15				Jan 2	~~150~~ 50			6x25	
7.15				Jan 5	300			3x100	
7.20				Jan 12	100			1x100	
7.20				Jan 20	100			1x100	
7.60				Feb 27	700			5x100	8x25
7.65				Apr 14	200			2x100	
7.70				May 15	100			1x100	
7.75				Jun 15	5,720	5x1000	2x10	6x100	4x25

NOVEMBER MATURITIES

8 7/8	Foremost McKesson, Inc.	11/19	Nov 28	2	200	400	2x100
8 7/8	Georgia-Pacific Corporation	11/19	Nov 26	2	500	1000	1x500
8 3/4	Georgia Power Company (R)	10/14	Nov 25	38	100	3800	1x100
8 5/8	Munsingwear Inc. (R)	10/24	Nov 25	28	100	2800	1x100
8 5/8	Trunkline Gas Co.	4/19	Nov 26	2	400	800	4x100

TOTAL NOVEMBER MATURITIES - 1,500

DECEMBER MATURITIES

8 3/4	American Cabel & Radio Corporation	11/17	Dec 23	30	1,000	30,000	2x500
8 3/4	American Standard Inc.	11/18	Dec 23	3	250	750	1x250
8 3/4		11/17	Dec 29	4	4,000	16000	8x500
9 1/8 ~~8 7/8~~	Amfac Financial Corporation (Guaranteed by Amfac Inc.)	10/6	Dec 23	46	100	4600	1x100
8 3/4	Arcata National Corp.	11/17	Dec 2	4	300	1200	3x100
~~8 3/4~~	~~Associated Dry Goods Credit Corp.~~		~~Dec 3~~	~~5~~	~~1,000~~	~~5000~~	~~2x500~~
8 3/4	The Bendix Corporation	11/14	Dec 31	7	500	3500	1x500
8 7/8	Butler Manufacturing Co	11/20	Dec 22	1	700	700	2x250 2x100
9 ~~8 3/4~~	Eltra Corporation	10/8	Dec 23	44	500	2200	1x500
8 ~~1/2~~	Evans Products Co.	11/6	Dec 5	15	100	1500	1x100
8 3/4	Finserv Corporation	11/20	Dec 18	1	800	800	1x500 3x100
~~8 3/4~~	(Guaranteed by Studebaker-Worthington)	11/10	Dec 30	11	2000	22000	
8 3/4	General Tire & Rubber Company	11/17	Dec 30	4	2,000	8000	4x500
8 3/4	International Salt Co	11/10	Dec 23	11	500	5500	1x500
8 7/8	Lone Star Gas Company	11/19	Dec 1	2	100	200	1x100
8 3/4	Pepsi Cola Equipment Corporation (R) (Guaranteed by Pepsico Inc.)	11/20	Dec 29	1	700	700	1x500 2x100
9 1/8 ~~8 7/8~~	Standard Knitting Mills Inc	9/24	Dec 2	58	100	5800	1x100
8 ~~5/8~~	Universal Leaf Tobacco Company, Inc.	11/17	Dec 19	25	1,000	25000	1x500 2x250
8 ~~7/8~~	U.S. Industries Inc.	11/15	Dec 23	37	500	18500	1x500
8 ~~5/8~~	The Vendo Company	10/20	Dec 4	22	300	6600	3x100
8 3/4	Walgreen Co.	11/19	Dec 22	2	100	200	1x100 D/D
8 3/4		11/20	Dec 26	41	1,000	NY-11/24	~~2x500~~ @ 1000
8 ~~1/2~~	West Point-Pepperell Inc.	11/6	Dec 23	15	500	7500	1x500
8 3/4		11/13	Dec 31	8	1,000	8000	2x500
8 ~~3/4~~	Zayre Corporation	11/7	Dec 24	14	3000	42000	6x500

TOTAL DECEMBER MATURITIES - 21,000

Sperry Rand — 1:30 — Jun 8 ① 1600 — 1600

	8	11/14	Goodyear Tire & RubberCo.	6%	Jan 22	4	1,000	71,000	1x1000
	8	7/8		8%	Jan 27	12	2,000	170000	2x1000
	8	7/8	- 11/3	8%	Jan 28	12	1,000	90,000	1x1000
	9	7/8	Handy & Harman ? date/rate		Jan 15	16	200	6CC	2x100
11/5	9	7/8	Haverty Furniture Companies Inc.	9%	Jan 28	16	650	54,600	6x100 1x50
11/5	8	7/8	Houston Natural Gas Corp.	8%	Jan 13	16	500	34,500	2x250
11/5	8	7/8	? - date/rate		Jan	2	1,000	?	4x250
11/5	9		IDS Leasing Corporation		Jan 7	9	100	6100	1x100
			(Wholly owned subsidiary of Investors Diversified Services Inc.)						
11/5	9	7/8			Jan 13	3	400	22400	4x100
11/5	9	7/8			Jan 20	4	300	19200	3x100
11/5	9	7/8			Jan 23	7	500	3500	2x250
11/5	8	7/8	International Salt Company		Jan 15	35	100	3500	1x100
11/5	8	7/8	Jones & Laughlin Steel Corporation		Jan 28	8	1,700	13,600	3x500 2x100
11/5	9		Jonathan Logan Inc.		Jan 12	16	200	3200	2x100
11/5	8	3/4	Lone Star Gas Company		Jan 2	8	1,000	8000	1x500 2x250
11/5	8	3/4			Jan 7	4	500	2000	2x250
11/5	9		M. Lowenstein & Sons, Inc.		Jan 19	3	2,000	6.000	3x500 5x100
11/5	9				Jan 26	22	400	5600	4x100
11/5	8	7/8	Macy Credit Corporation		Jan 9	3	200	2900	2x100
11/5	9		Mattel, Inc.		Jan 12	4	2,000	8.000	3x500 5x100
11/5	9				Jan 15	18	400	7200	4x100
11/5	8	3/4	May Department Stores Inc.		Jan 7	18	250	4500	1x250
11/5	8	7/8			Jan 13	18	1,250	22500	1x500 3x250
11/5	8	7/8			Jan 16	14	750	10.500	3x250
11/5	8	7/8			Jan 20	18	250	4500	1x250
11/5	8	7/8			Jan 23	11	500	5500	1x500
11/5	8	7/8			Jan 27	15	750	11.250	1x500 1x250
11/5	8	7/8			Jan 29	21	500	10,500	1x500
11/5	8	7/8			Jan 30	8	500	4.000	1x500
11/5	8	3/4	Michigan Bell Telephone Company		Jan 8	1	1,500	1500	3x500
11/5	8	7/8	The National Cash Register Company		Jan 12	4	500	2000	1x500
11/5	8	3/4	Niagara Mohawk Power Corporation		Jan 8	1	800	800	1x500 3x100
11/6	8	7/8	Northern Natural Gas Company		Jan 22	15	1,250	18750	1x500 3x250
11/7	8	7/8	Northern States Power Company		Jan 23	14	250	3500	1x250
10/28	8	3/4	Penn Central Transportation Company		Jan 2	44	1,000	44000	2x500
11/7	8	7/8			Jan 13	4	500	2000	1x500
11/13	8	7/8			Jan 16	18	1,500	27000	3x500
11/7	8	7/8			Jan 29	4	600	2400	1x500 1x100
11/14	8	7/8	Pepsi Cola Equipment Corporation (R)**		Jan 19	7	400	1400 7600	4x100
			(Guaranteed by Pepsico, Inc.)						
10/14	8	7/8	10/14		Jan 23	7	500	3500	5x100
10/31	8	7/8	10/31		Jan 29	21	1,000	71000	1x500 5x100
	8	7/8	~~Potomac Electric Power Company~~		~~Jan 26~~		~~1,100~~		2x500 1x100
11/28	8	7/8	Public Service Company of New Hampshire		Jan 9	1	500	500	1x500
1/14	9				Jan 28	7	1,000	7000	2x500
	8	7/8	? Ralston Purina Company		~~Jan 29~~		~~500~~		1x500
11/5	8	3/4	Schenley Industries Inc.		Jan 6	11	600	6600	1x500 1x100
11/5	8	7/8			Jan 12	8	100	800	1x100
10/28	8	7/8			Jan 23	22	500	11000	1x500
11/5	8	7/8	Joseph E. Seagram & Sons, Inc.		Jan 30	18	250	4500	1x250
10/28	8	3/4	The Signal Cos., Inc.		Jan 7	23	1,000	23000	2x500
10/28	8	7/8			Jan 13	22	1,000	22000	1x1000
11/6	8	7/8			Jan 29	15	1,500	22500	1x1000 1x500
10/28	8	3/4	Sperry Rand Financial Corporation		Jan 5	24	500	12000	1x500
11/5	8	3/4			Jan 7	11	200	2200	2x100
11/14	8	7/8	11/14		Jan 14	9	2,100	18900	3x500 6x100
11/26	8	7/8	11/26		Jan 27	15	2,200	33000	4x500 2x100
11/14	8	7/8	11/14		Jan 29	7	1,000	7000	1x500 2x250
11/19	8	7/8	Sperry Rand Corporation		Jan 20	2	250	500	1x250
11/7	8	7/8	J.P. Stevens & Co., Inc.		Jan 12	4	1,000	4000	2x500
11/7	8	7/8	Stokely Van Camp, Inc.		Jan 29	18	4,500	81000	9x500
11/7	8	7/8	Sunbeam Corporation		Jan 14	4	1,750	24500	1x1000 3x250
11/5	8	3/4	Texas Eastern Transmission Corporation		Jan 8	18	500	4500	2x250
10/28	8	7/8			Jan 21	23	500	5750	2x500 2x250
11/5	8	7/8			Jan 22	15	1,500	22500	2x250 1x450
11/5	8	7/8	250-11/3 300-11/6		Jan 28	8	1,950	15600 2x500 3375	2x250
11/5	8	7/8	Trunkline Gas Co.		Jan 27	15	500	3375	2x250
11/5	8	7/8	United Merchants & Manufacturers, Inc.		Jan 6	11	2,900	31900	4x500 9x100
11/5	8	3/4			Jan 8	30	1,000	30000	2x500
10/28	8	3/4			Jan 12	36	500	18000	1x500
10/28	8	7/8			Jan 22	29	2,000	46000	4x500
10/28	8	7/8			Jan 28	38	1,000	38000	2x500
10/28	8	7/8			Jan 28	43	500	21500	1x500

8	7/8	Universal Leaf Tobacco Company, Inc.	Jan 7	36	500	18000	1x500	
9			Jan 29	9	800	1700	1x500	3x100
8	7/8	U.S. Industries Inc.	Jan 20	25	1,000	25,000	2x500	
9		Vendo Company	Jan 22	8	200	1600	2x100	
8	7/8	Vulcan Materials Co.	Jan 8	21	600	12600	1x500	1x100
9		Wayne Cossard Corp.	Jan 30	7	350	2450	3x100	1x50
8	7/8	West Point-Pepperell Inc,	Jan 29	1	5,000	5000	9x500	5x100
8	7/8	Western Publishing Co., Inc.	Jan 9	14	350	4900	1x250	1x100
9			Jan 23	7	1,050	7350	3x250	3x100
9		Zale Corporation	Jan 13	24	500	1200	1x500	
9			Jan 22	4	1,000	4000	2x500	
9			Jan 26	16	1,100	17600	2x500	1x100

TOTAL JANUARY MATURITIES - 143,375

1921a

FEBRUARY MATURITIES

11/17	8 7/8	Allegheny Ludlum Steel Corp.	8 1/4	Feb	10	9	750 (1,750)	1x500 1x250
11/13	8 7/8		8 3/4	Feb	11	3	1,000 3,000	4x250
11/17	9	Amalgamated Sugar Co.	8 7/8	Feb	10	4	1,000 4000	2x500
11/13	9	Amfac Financial Corporation (Guaranteed by Amfac, Inc.)	8 7/8	Feb	6	8	400 3200	4x100
10/31	8 7/8	Anderson, Clayton & Co., Inc.	8 1/2	Feb	4	21	500 10,500	1x500
11/13	8 7/8	Arcata National Corporation	8 1/4	Feb	3	3	1,800 14,400	3x500 3x100
11/30	9	The Bankers Investment Company	9 3/8	Feb	3	1	200 200	2x100
11/30	8 7/8	Burroughs Corporation	8 7/8	Feb	18	1	1,900 1900	3x500 4x100
11/17	9 1/8	Chadbourn Inc.	9 1/2	Feb	10	9	600 5400	1x500 1x100
11/5	8 7/8	Cluett, Peabody & Co., Inc.	8 1/2	Feb	2	16	250 4000	x250
11/30 & 12/8	8 7/8		(3 1/8	Feb	10	22)	1,000 33,000	x500
11/14	8 7/8		8 3/4	Feb	13	7	500 3,500	1x500
11/19	8 7/8		8 3/4	Feb	17	2	1,000 2000	2x500
11/17	9	Crompton-Richmond Co., Inc. Factors (R-I)	9 1/8	Feb	4	9	500 4500	5x100
11/5	9	Dan River Mills, Inc.	8 3/4	Feb	5	16	1,250 20,000	2x500 1x250
11/19	9		8 7/8	Feb	11	2	700 1400	1x500 2x100
11/5	8 7/8	Ex-Cell-O Corp.	8 5/8	Feb	3	16	500 8000	1x500
11/5	8 7/8	General Cable Corporation	8 1/2	Feb	3	16	500 8000	1x500
11/13	9	Hoerner Waldorf Corporation	8 7/8	Feb	5	8	500 $4000	2x250
11/6	8 7/8	Jones & Laughlin Steel Corporation	8 3/4	Feb	9	15	1,500 22,500	3x500
11/6	9	Kayser Roth Corporation	8 5/8	Feb	5	15	500 7500	1x500
11/13	9		8 7/8	Feb	11	8	500 4000	1x500
11/20	9		9	Feb	19	1	1,000 1000	1x500 5x100
11/17	9	Jonathan Logan, Inc.	8 7/8	Feb	3	9	500 4500	1x500
11/17	9		8 7/8	Feb	10	4	250 1000	1x250
11/13	9	M. Lowenstein & Sons, Inc.	8 3/4	Feb	4	8	600 4800	1x500 1x100
11/17	9		8 1/8	Feb	10	9	1,500 13500	3x500
11/6	9	NLT Corporation	8 5/8	Feb	4	15	500 7500	1x500
11/7	8 7/8	National Service Industries Inc.	8 5/8	Feb	5	14	2,700 44,800	2x100 Small
11/5	8 7/8	Penn Central Transportation Company	8 1/2	Feb	3	16	3,000 48,000	6x500
11/5	8 7/8		8 1/2	Feb	10	16	1,000 16 000	2x500
10/28	8 7/8	Pepsi Cola Equipment Corporation (R)** (Guaranteed by Pepsico, Inc.)	8 1/8	Feb	5	28	1,000 28,000	1x500 5x100
11/18	8 7/8	Potomac Electric Power Company	8 3/4	Feb	16	3	1,000 3,000	2x500
11/17	8 7/8	Schenley Industries Inc.	8 3/4	Feb	6	4	2,250 9,000	4x500 1x250
11/18	8 7/8		8 7/8	Feb	10	3	1,500 4500	2x500 2x250
11/20	8 7/8	Joseph E. Seagram & Sons Inc.	8 3/4	Feb	6	11	500 5500	1x500
11/19	8 7/8		8 3/4	Feb	11	7	4,000 28,000	2x1000 4x500
11/18	8 7/8	Sperry Rand Financial Corporation	8 3/4	Feb	13	3	115 345	1x115
11/17	8 7/8	Texas Eastern Transmission Corporation	8 3/4	Feb	4	4	750 3,000	3x250
11/18	8 7/8		8 3/4	Feb	6	3	1,250 3,750	2x500 1x250
11/12	8 7/8	United Merchants & Manufacturers Inc.	8 3/4	Feb	2	8	1,500 12,000	3x500
11/20	8 7/8		8 3/4	Feb	4	11	500 5500	1x500
11/19	8 7/8		8 3/4	Feb	10	2	1,800 3,600	3x500 3x100
11/17	8 7/8	U.S. Industries Inc.	8 3/4	Feb	5	4	3,500 14,000	6x500 5x100
11/20	9	The Vendo Company	9 1/8	Feb	11	1	500 500	5x100
11/17	9	Woodward & Lothrop, Inc.	8 7/8	Feb	10	9	1,700 15,300	3x500 2x100
11/13	9	Zale Corporation	8 3/4	Feb	3	8	1,000 8000	2x500
11/20	9		9	Feb	10	1	900 900	1x500 4x100

TOTAL FEBRUARY MATURITIES - 52,165

MARCH MATURITIES

11/19	8 7/8	Chrysler Corporation	8 3/4	Mar	16	2	2,700 5400	2x100 Small
11/17	9	Hanes Corporation	9	Mar	12	9	500 4500	1x500
11/19	9		9	Mar	19	2	800 1600	1x500 3x100

TOTAL MARCH MATURITIES - 4,000

1922 a

B/S 4-11/5

APRIL MATURITIES

Hanes Corporation	Apr 23	100	1x100

TOTAL APRIL MATURITIES - 100

F.N.M.A. ON HAND - 10220

EXIM ON HAND -

TOTAL REPOS - 134,500

C/P ON HAND - 222,190

C/P ENGAGED - 0

C/P INVENTORY - 222, 190

(R) DENOTES RESTRICTION LIST

(R)** SUBJECT TO SPECIAL RESTRICTION NOT TO BE SHOWN ON ANY PRINTED OFFERINGS.

Dollar Days 2,775,920,000

Inventory 222,190

12.49 Days

Ex. FI: Letter of August 8, 1974 from Robert Lord of Manufacturers Hanover Trust Company to John M. Haynes of Niagara Mohawk Power Corporation

Dep'td (Sullivan) 12 FOR T.D
11/18/74 MC

MANUFACTURERS HANOVER TRUST COMPANY

350 PARK AVENUE, NEW YORK, N.Y. 10022

August 8, 1974

Mr. John M. Haynes
Treasurer
Niagara Mohawk Power Corporation
300 Erie Boulevard West
Syracuse, New York 13202

Dear Jack:

It is a pleasure to inform you that we are holding available for Niagara Mohawk's short-term use an unsecured line of credit in the amount of $18,000,000. Borrowings will be at our prime rate and the line is subject to the usual condition that we continue to be satisfied with the financial affairs of your company.

Best regards.

Sincerely yours,

Bob

Robert J. Lord
Assistant Vice President

Ex. FK: Table showing Prepayments, Buybacks and Returns to Company for AVCO Corporation

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1969)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

1924a

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1925a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE (1964)	MATURITY DATE	AMOUNT
-0-	-0-	-0-
-0- (1965)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

1926a

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1927a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-
-0- (1968)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

1928a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-25-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1929a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1969)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

1930a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1931a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-[illegible]	1,000
2-27-70	6-[illegible]	1,000
2-27-70	6-[illegible]	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1969)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1.000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

1932a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1933a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

1933a

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1968)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

1934a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1935a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1937a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

1937a

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1969)	-0-	-0-

1938a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (1970)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1939a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

1939a

AVCO CORPORATION

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-	12-18-68	2-24-69	3,000	1-30-68	4- 5-68	300
						3-20-68	5-15-68	600
						3-25-68	5-15-68	800
						3-29-68	4-22-68	600
						4- 8-68	5-20-68	500
						4-16-68	5-15-68	600
						4-29-68	5-15-68	600
						5-14-68	5-15-68	1,400
						5-17-68	6-20-68	50
						6- 5-68	6-20-68	3,000
						7- 2-68	7-22-68	50
						7-15-68	8-15-68	250
						7-18-68	7-22-68	700
-0- (1969)	-0-	-0-	2-21-69	5- 6-69	2,000	1- 3-69	1- 7-69	500
			2-21-69	5-21-69	3,000	1-17-69	2-18-69	200
			6-23-69	9- 9-69	4,000	2- 4-69	3-20-69	2,700
			7-25-69	10- 7-69	1,000	2-17-69	3-20-69	100
			7-25-69	10- 9-69	2,000	2-20-69	3-20-69	2,700
			7-25-69	10- 6-69	4,500	3- 7-69	5-15-69	700
			7-25-69	9-24-69	1,600	3-13-68	3-20-69	3,000
			8-28-69	11-22-69	1,600	3-20-68	4-28-69	900
			9-18-69	12-30-69	300	3-25-69	3-27-69	4,000
			12-15-69	3- 4-70	2,000	4- 2-69	4-28-69	900
			12-15-69	2-25-70	2,000	4- 8-69	5-15-69	700
			12-15-69	2- 3-70	1,000	4-17-69	6-11-69	500
			12-15-69	3- 2-70	3,500	5-12-69	7-15-69	100
			12-15-69	2-27-70	1,500	5-21-69	7- 7-69	200
			12-19-69	1-28-70	3,000	5-26-69	8-15-69	600
						6- 3-69	6-19-69	500
						6- 3-69	8-15-69	600
						7- 3-69	8-15-69	600
						7-22-69	7-30-69	500
						7-25-69	8- 5-69	100
						7-31-69	10-10-69	3,000
						8- 5-69	8-26-69	500
						9- 3-69	9-25-69	2,000
						9- 3-69	12-19-69	600
						9-22-69	9-30-69	1,500
						9-22-69	12-11-69	500
						12-22-69	1- 5-70	1,000

1940a

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1941a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-7[illegible]	500
6- 3-70	6-22-[illegible]	800

1941a

AVCO CORPORATION

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-
-0- (1969)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
12-18-68	2-24-69	3,000
2-21-69	5- 6-69	2,000
2-21-69	5-21-69	3,000
6-23-69	9- 9-69	4,000
7-25-69	10- 7-69	1,000
7-25-69	10- 9-69	2,000
7-25-69	10- 6-69	4,500
7-25-69	9-24-69	1,000
8-28-69	11-22-69	1,600
9-18-69	12-30-69	300
12-15-69	3- 4-70	2,000
12-15-69	2-25-70	2,000
12-15-69	2- 3-70	1,000
12-15-69	3- 2-70	3,500
12-15-69	2-27-70	1,500
12-19-69	1-28-70	3,000

1942a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-30-68	4- 5-68	300
3-20-68	5-15-68	600
3-25-68	5-15-68	800
3-29-68	4-22-68	600
4- 8-68	5-20-68	500
4-16-68	5-15-68	600
4-29-68	5-15-68	600
5-14-68	5-15-68	1,400
5-17-68	6-20-68	50
6- 5-68	6-20-68	3,000
7- 2-68	7-22-68	50
7-15-68	8-15-68	250
7-18-68	7-22-68	700
1- 3-69	1- 7-69	500
1-17-69	2-18-69	200
2- 4-69	3-20-69	2,700
2-17-69	3-20-69	100
2-20-69	3-20-69	2,700
3- 7-69	5-15-69	700
3-13-68	3-20-69	3,000
3-20-68	4-28-69	900
3-25-69	3-27-69	4,000
4- 2-69	4-28-69	900
4- 8-69	5-15-69	700
4-17-69	6-11-69	500
5-12-69	7-15-69	100
5-21-69	7- 7-69	200
5-26-69	8-15-69	600
6- 3-69	6-19-69	500
6- 3-69	8-15-69	600
7- 3-69	8-15-69	600
7-22-69	7-30-69	500
7-25-69	8- 5-69	100
7-31-69	10-10-69	3,000
8- 5-69	8-26-69	500
9- 3-69	9-25-69	2,000
9- 3-69	12-19-69	600
9-22-69	9-30-69	1,500
9-22-69	12-11-69	500
12-22-69	1- 5-70	1,000

AVCO CORPORATION (Cont.)

PREPAYMENTS

DISCOUNT DATE (19xx)	MATURITY DATE	AMOUNT
1-23-70	1-29-70	4,000
6-17-70	7-16-70	500
6-26-70	11- 6-70	1,000
6-26-70	12-15-70	1,000

1943a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-23-70	2-20-70	4,500
1-23-70	4- 9-70	1,500
2- 6-70	3-11-70	4,000
2-27-70	4-24-70	1,500
2-27-70	3-13-70	100
2-27-70	3-11-70	100
2-27-70	4- 7-70	100
2-27-70	5-22-70	2,500
2-27-70	5-27-70	2,000
2-27-70	5-18-70	3,250
2-27-70	6- 8-70	1,000
2-27-70	6-30-70	1,000
2-27-70	6-25-70	500
4- 3-70	5-14-70	2,500
4- 3-70	5- 4-70	1,500
4- 3-70	5- 1-70	2,000
4- 8-70	4-27-70	2,000
4- 8-70	4-24-70	500
4- 8-70	5-12-70	2,000
4- 8-70	5- 8-70	300
4- 8-70	5- 4-70	100
4- 8-70	5- 1-70	500
4-16-70	6-19-70	3,000
4-16-70	5-21-70	1,500
4-16-70	6-11-70	2,500
9-16-70	6- 2-70	4,000
4-23-70	6-17-70	1,000
4-23-70	6-11-70	4,000
5- 7-70	6-12-70	1,000
5- 7-70	6- 5-70	2,000
5- 7-70	6-26-70	250
5-19-70	6-17-70	4,000
5-19-70	6-16-70	4,000
5-27-70	7- 6-70	600
5-27-70	7-22-70	750
5-27-70	7- 8-70	2,100
6-15-70	8-11-70	825
6-19-70	7-22-70	1,000
6-19-70	8- 5-70	3,500
6-19-70	7-28-70	2,500
6-19-70	7-17-70	3,000
6-23-70	1-15-71	500
		107,875

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1-15-70	3-16-70	300
1-23-70	2- 4-70	6,000
1-23-70	2-18-70	3,000
3-12-70	4- 3-70	1,000
4-14-70	5-11-70	5,000
5-11-70	10-27-70	5,000
6- 3-70	6-17-70	500
6- 3-70	6-22-70	800

1943a

Ex. FL: Table showing Prepayments, Buybacks and Returns to Company for The Dow Chemical Company

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1944a

1944a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
(1969)		

1945a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1946a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1947a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

1948a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1949a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	1- 6-69	100
12-30-68	1-29-69	1,000

1950a

1950a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

1951a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
2-18-70	3-24-70	3,000
2-18-70	4-24-70	1,000
2-18-70	4- 8-70	2,000
2-18-70	4-21-70	3,000
6- 8-70	7-23-70	4,500
		34,600

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
2-13-69	3- 6-69	1,000
2-18-69	3-20-69	1,000
2-18-69	3- 4-69	2,000
3- 3-69	3- 7-69	300
3- 5-69	3-20-69	1,000
3- 5-69	3-20-69	2,200
3-11-69	3-21-69	2,000
4-25-69	5-23-69	2,650
5- 9-69	6- 9-69	3,000
5- 9-69	5-12-69	1,000
5-12-69	8-25-69	1,000
5-12-69	6- 3-69	250
6- 3-69	7-30-69	4,000
6- 6-69	9-19-69	1,000
6-13-69	7-15-69	3,000
6-18-69	8- 4-69	500
1- 7-70	1-15-70	1,000
1-15-70	2-10-70	500
1-16-70	2- 5-70	600
1-19-70	2-16-70	1,000
1-20-70	2-16-70	1,600
1-28-70	2-20-70	1,000
4- 6-70	5-18-70	300
4-10-70	5- 4-70	500
4-17-70	4-30-70	1,000
5-15-70	7-28-70	700
5-15-70	7-28-70	400
5-22-70	6-25-70	300
5-27-70	8-17-70	600
5-27-70	7-20-70	600
6- 5-70	6- 9-70	750
6-11-70	8- 3-70	2,000
6-16-70	6-25-70	1,000
6-22-70	6-26-70	3,000
6-23-70	7-20-70	200
		157,550

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1953a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

1954a

1954a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
1955a						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1956a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT

1957a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-1[illegible]69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	[illegible]-69	1,000
						2-18-69	[illegible]-69	1,000
						2-18-69	3- [illegible]-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5- 2-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1958a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0- (1968)	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1959a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1959a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1964)	MATURITY DATE	AMOUNT

1960a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1961a

1961a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1962a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1962a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

1963a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
(1970)		
2-18-70	3-24-70	3,000
2-18-70	4-24-70	1,000
2-18-70	4- 8-70	2,000
2-18-70	4-21-70	3,000
6- 8-70	7-23-70	4,500
		34,600

1964a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
2-13-69	3- 6-69	1,000
2-18-69	3-20-69	1,000
2-18-69	3- 4-69	2,000
3- 3-69	3- 7-69	300
3- 5-69	3-20-69	1,000
3- 5-69	3-20-69	2,200
3-11-69	3-21-69	2,000
4-25-69	5-23-69	2,650
5- 9-69	6- 9-69	3,000
5- 9-69	5-12-69	1,000
5-12-69	8-25-69	1,000
5-12-69	6- 3-69	250
6- 3-69	7-30-69	4,000
6- 6-69	9-19-69	1,000
6-13-69	7-15-69	3,000
6-18-69	8- 4-69	500
1- 7-70	1-15-70	1,000
1-15-70	2-10-70	500
1-16-70	2- 5-70	600
1-19-70	2-16-70	1,000
1-20-70	2-16-70	1,600
1-28-70	2-20-70	1,000
4- 6-70	5-18-70	300
4-10-70	5- 4-70	500
4-17-70	4-30-70	1,000
5-15-70	7-28-70	700
5-15-70	7-28-70	400
5-22-70	6-25-70	300
5-27-70	8-17-70	600
5-27-70	7-20-70	600
6- 5-70	6- 9-70	750
6-11-70	8- 3-70	2,000
6-16-70	6-25-70	1,000
6-22-70	6-26-70	3,000
6-23-70	7-20-70	200
		157,550

1964 a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

1965a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1965a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1966)	MATURITY DATE	AMOUNT

1966a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-19-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1967a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE (1968)	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1968a

1968a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

1969a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
(1970)		
2-18-70	3-24-70	3,000
2-18-70	4-24-70	1,000
2-18-70	4- 8-70	2,000
2-18-70	4-21-70	3,000
6- 8-70	7-23-70	4,500
		34,600

1970a

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
2-13-69	3- 6-69	1,000
2-18-69	3-20-69	1,000
2-18-69	3- 4-69	2,000
3- 3-69	3- 7-69	300
3- 5-69	3-20-69	1,000
3- 5-69	3-20-69	2,200
3-11-69	3-21-69	2,000
4-25-69	5-23-69	2,650
5- 9-69	6- 9-69	3,000
5- 9-69	5-12-69	1,000
5-12-69	8-25-69	1,000
5-12-69	6- 3-69	250
6- 3-69	7-30-69	4,000
6- 6-69	9-19-69	1,000
6-13-69	7-15-69	3,000
6-18-69	8- 4-69	500
1- 7-70	1-15-70	1,000
1-15-70	2-10-70	500
1-16-70	2- 5-70	600
1-19-70	2-16-70	1,000
1-20-70	2-16-70	1,600
1-28-70	2-20-70	1,000
4- 6-70	5-18-70	300
4-10-70	5- 4-70	500
4-17-70	4-30-70	1,000
5-15-70	7-28-70	700
5-15-70	7-28-70	400
5-22-70	6-25-70	300
5-27-70	8-17-70	600
5-27-70	7-20-70	600
6- 5-70	6- 9-70	750
6-11-70	8- 3-70	2,000
6-16-70	6-25-70	1,000
6-22-70	6-26-70	3,000
6-23-70	7-20-70	200
		157,550

1970 a

THE DOW CHEMICAL CO.

PREPAYMENTS

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
-0-	-0-	-0-

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
1- 3-68	3-20-68	2,000
1- 4-68	3-21-68	500
1-25-68	6-10-68	2,000
2- 5-68	3- 6-68	200
2- 5-68	3-21-68	500
2- 9-68	5-31-68	100
2-13-68	3-26-68	200
3-29-68	5- 1-68	4,000
4- 5-68	4-18-68	900
4-11-68	6-17-68	3,000
4-25-68	7- 2-68	200
5- 6-68	5-15-68	1,000
5-20-68	7-19-68	1,000
5-21-68	7- 2-68	200
6- 5-68	6-20-68	2,000
6- 6-68	6-25-68	1,150
6-12-68	6-13-68	3,000
6-20-68	7- 1-68	3,000
6-20-68	7- 2-68	2,000
6-26-68	8-28-68	1,000
7-18-68	9- 6-68	1,000
8-14-68	8-22-68	2,000
8-23-68	9- 9-68	1,000
9-19-68	10- 4-68	500
9-27-68	11- 6-68	500
10-14-68	11-12-68	1,800
10-18-68	10-23-68	2,500
10-18-68	10-30-68	1,000
11-19-68	11-25-68	1,200
11-19-68	11-25-68	2,300
12-11-68	12-23-68	2,000
12-16-68	12-27-68	100
12-18-68	2- 6-69	100
12-30-68	1-29-69	1,000

1971a

1971a

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS

DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT

1972a

RETURN TO COMPANY

DISCOUNT DATE	MATURITY DATE	AMOUNT
7- 7-69	8-23-69	1,100
9-16-69	11-10-69	3,500
9-16-69	11- 7-69	6,500
10-17-69	1- 7-70	5,000
12-19-69	1-22-70	5,000

BUY BACKS

DISCOUNT DATE	MATURITY DATE	AMOUNT
6-18-69	8- 7-69	500
6-23-69	7- 3-69	1,000
6-30-69	7- 8-69	500
7- 1-69	7- 9-69	5,000
7- 2-69	7- 8-69	1,000
7-10-69	8-15-69	2,000
7-10-69	7-14-69	1,000
7-15-69	8-20-69	1,100
8- 5-69	9-19-69	2,000
8- 6-69	8-22-69	3,000
8-15-69	8-18-69	2,000
9-19-69	9-30-69	1,000
9-22-69	10- 3-69	5,000
9-22-69	11-24-69	1,000
9-22-69	10-29-69	600
9-22-69	10-29-69	400
10- 6-69	10-20-69	1,000
10- 8-69	11-14-69	700
10-14-69	10-21-69	100
10-20-69	1-12-70	600
10-27-69	11- 7-69	500
10-31-69	11- 7-69	300
11- 3-69	11-14-69	1,000
11-10-69	11-14-69	1,000
11-10-69	12-17-69	1,000
11-13-69	1- 7-70	5,000
11-17-69	1-19-70	1,150
11-26-69	12- 1-69	1,000
11-26-69	12- 4-69	1,500
11-26-69	12- 2-69	1,000
12- 2-69	2- 5-70	800
12-11-69	12-24-69	500
12-11-69	12-31-69	1,000
12-15-69	1-22-70	6,000
12-19-69	2-17-70	500
12-24-69	3- 2-70	700
12-29-69	1- 7-70	500
12-29-69	1- 6-70	500
12-31-69	1- 9-70	500
1-28-69	2-20-69	500
1-28-69	2-10-69	3,000
2- 3-69	3-20-69	2,200

THE DOW CHEMICAL CO. (Cont.)

PREPAYMENTS			RETURN TO COMPANY			BUY BACKS		
DISCOUNT DATE (1969)	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT	DISCOUNT DATE	MATURITY DATE	AMOUNT
						2-13-69	3- 6-69	1,000
						2-18-69	3-20-69	1,000
						2-18-69	3- 4-69	2,000
						3- 3-69	3- 7-69	300
						3- 5-69	3-20-69	1,000
						3- 5-69	3-20-69	2,200
						3-11-69	3-21-69	2,000
						4-25-69	5-23-69	2,650
						5- 9-69	6- 9-69	3,000
						5- 9-69	5-12-69	1,000
						5-12-69	8-25-69	1,000
						5-12-69	6- 3-69	250
						6- 3-69	7-30-69	4,000
						6- 6-69	9-19-69	1,000
						6-13-69	7-15-69	3,000
						6-18-69	8- 4-69	500
(1970)			2-18-70	3-24-70	3,000	1- 7-70	1-15-70	1,000
			2-18-70	4-24-70	1,000	1-15-70	2-10-70	500
			2-18-70	4- 8-70	2,000	1-16-70	2- 5-70	600
			2-18-70	4-21-70	3,000	1-19-70	2-16-70	1,000
			6- 8-70	7-23-70	4,500	1-20-70	2-16-70	1,600
						1-28-70	2-20-70	1,000
						4- 6-70	5-18-70	300
						4-10-70	5- 4-70	500
						4-17-70	4-30-70	1,000
1973a						5-15-70	7-28-70	700
						5-15-70	7-28-70	400
						5-22-70	6-25-70	300
						5-27-70	8-17-70	600
						5-27-70	7-20-70	600
						6- 5-70	6- 9-70	750
						6-11-70	8- 3-70	2,000
						6-16-70	6-25-70	1,000
						6-22-70	6-26-70	3,000
						6-23-70	7-20-70	200
					34,600			157,550

1973a